APPROVED

by Order No. VAS-9 of 22 December 2005 of the Director of the Public Establishment the Institute of Accounting of the Republic of Lithuania

36 BUSINESS ACCOUNTING STANDARD "RECORD KEEPING AND FINANCIAL REPORTING OF UNLIMITED CIVIL LIABILITY LEGAL PERSONS"

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I. GENERAL PROVISIONS

1. The objective of this Standard is to set out how unlimited civil liability legal persons, i.e. individual enterprises and partnerships (hereinafter referred to as entities), shall keep their records, register economic transactions and events and prepare financial statements.

2. This Standard shall be applied by entities that are required by legal acts to prepare financial statements or decide to prepare them voluntarily.

3. Having commenced the application of Business Accounting Standards, entities shall have the right to choose whether to keep their records and prepare financial statements in accordance with:

3.1. the provisions of this Standard only;

3.2. all other Business Accounting Standards (excluding paragraphs 12 and 47 of 1 Business Accounting Standard "Financial Statements", 4 Business Accounting Standard "Statement of Changes in Equity" and 8 Business Accounting Standard "Equity") as well as the provisions of sections VI and XIII of this Standard, if their financial statements prepared following the provisions of this Standard would not correctly reflect their assets, equity, liabilities, income and expenses.

4. Partnerships, all general partners of which are public and private limited liability companies, shall observe Business Accounting Standards referred to in paragraph 3.2 hereof when keeping their records and preparing financial statements.

5. Financial statements of an entity of all reporting periods shall be prepared in accordance with the same Business Accounting Standards for comparability purposes. The principles of preparing financial statements may be changed only when it becomes clear that they prevent from presenting fairly the entity's performance and financial position. Explanatory notes shall specify which Business Accounting Standards were observed in preparing the entity's financial statements.

II. DEFINITIONS AS USED IN THIS STANDARD:

Explanatory notes – a part of the entity's financial statements explaining amounts presented in the balance sheet, income statement and statement of changes in equity and disclosing additional material information that is not presented in the financial statements.

Amortisation – a systematic allocation of acquisition cost of intangible assets to expenses (or cost of other assets) over the expected useful life of these assets taking in consideration the actual changes in their economic value.

Accounting policies – accounting principles, accounting methods and rules applied by an entity in keeping its accounting records and preparing financial statements.

Change in accounting policies – a change in accounting principles, methods and rules applied by an entity in keeping its accounting records.

Accounting estimate – an assessment of changes in the value of an entity's assets, depreciation or existing liabilities.

Change in accounting estimate – a change of the estimate on obtaining updated information.

Reporting period – a period for which financial statements are prepared.

Inventories – current assets used by an entity for generating revenues within one year or within one operating cycle.

Balance sheet – a financial statement presenting all assets, equity and liabilities of an entity as of the last day of the reporting period.

Carrying amount – the amount at which an asset, equity and liability is presented in the balance sheet.

Balance sheet date – the last day of the reporting period.

Grant – financial and material assistance for a particular activity provided by state and municipal authorities, international organisations and funds, as well as by other third persons. Grants also include assets received gratis.

Economic life – the period over which an asset is expected to generate economic benefits to one or more users, or the maximum number of production units which can be produced or services which can be rendered using such asset.

Financial year – the period for which annual financial statements are prepared.

Reporting currency – the currency used in preparing financial statements of an entity.

Financial asset – any asset that is cash, a contractual right to receive cash or another financial asset from another party.

Non-current tangible asset – a tangible asset that renders economic benefits to the entity for a period longer than one year and the acquisition (production) cost of which is equal to at least the minimum cost of non-current tangible assets set by the entity.

Non-current asset – an asset used by an entity for a period longer than one year in order to obtain economic benefits.

Head of the entity – a natural person authorised to manage the entity by the decision of the owner of an individual enterprise or general partners of a partnership.

Ordinary activities – recurrent economic transactions related to the activities of the entity.

Acquisition (production) cost – the amount of cash or cash equivalents paid (payable), or the value of other assets given in exchange or consumed to acquire an asset at the time of its acquisition or production.

Liability – an obligation arising from performed economic transactions or other events, which will require future settlement and the amount of which can be measured reliably.

Costs – outflows of assets or services and decreases in the value of assets during the reporting period.

Payments – any cash outflows.

Error – a misstatement resulting from wrong calculation, application of inaccurate accounting method, incorrect registration of an economic transaction or event, fraud or mistake.

Book value – the amount of acquisition (production) cost of an intangible asset or non-current tangible asset less the amount of amortisation or depreciation accumulated until the balance sheet date.

Residual value – the amount that an entity expects to obtain from an asset at the end of its useful life, after deducting the estimated costs of future liquidation or disposal.

Finance lease – a type of lease that transfers substantially all risks and rewards incident to the ownership of an asset. Title may or may not eventually be transferred.

Annual financial statements – financial statements prepared on the basis of the generalized data for the financial year of an entity.

Useful life – the period of time over which an entity expects to use an asset of finite useful life or the number of production or similar units expected to be produced (obtained) from the asset by the entity.

Intangible asset – an identifiable non-monetary asset without physical substance which is controlled by an entity expecting to obtain direct and indirect economic benefits from the use of such asset.

Retained profit – accumulated and not yet distributed profit of an entity.

Retained losses – accumulated and not yet covered losses of an entity.

Untypical activities – economic transactions that cannot be classified as operating activities, but are related to ordinary activities.

Depreciable amount – the amount equal to the difference between the acquisition (production) cost of a non-current tangible asset of a finite useful life and its estimated residual value.

Operating lease – the right to possess and use an asset for an agreed period of time conveyed for consideration by the lessor to the lessee .

Equity – a portion of an entity's assets remaining after deducting all its assets from all its liabilities.

Statement of changes in equity – a financial statement presenting information about changes in equity during the reporting period.

Depreciation – a systematic allocation of the depreciable amount of an asset of a finite useful life to expenses over its expected useful life taking in consideration the actual changes in the economic value of such asset.

Income - an increase in economic benefits during the reporting period arising from increases in assets or decreases in liabilities, which results in an increase in equity, other than that relating to additional owners' contributions.

Loan-for-use – the right to possess and use an asset gratis for an agreed period conveyed by the lender to the loan recipient.

Sales revenue – an increase in economic benefits arising from sales of goods and rendering of services during the reporting period in the form of increases in an entity's assets or decreases in liabilities, which results in an increase in equity, other than that relating to additional owners' contributions.

Cost of sales - costs incurred during the reporting and earlier periods and related to services rendered and goods sold during the reporting period.

Services – revenue-generating activities carried out by an entity and related to the performance of work for the buyer's (customer's) benefit.

Income statement – a financial statement presenting all earned income, incurred expenses and achieved results of an entity during the reporting period.

Cash – cash on hand and in bank accounts.

Events after the balance sheet date – economic events that occur between the balance sheet date and the date on which financial statements are presented for approval and signed by the head of the entity.

Goods – assets purchased for resale and goods produced for sale by an entity.

Risks – possibilities of losses from technological obsolescence, idle capacity, changing economic conditions, loss or malfunction of assets.

Expenses – a decrease in economic benefits during the reporting period arising from using, selling or losing assets or from assuming liabilities, which results in a decrease in equity, other than its direct reduction.

Foreign currency transaction – a transaction whereas amounts payable and (or) receivable are denominated in currency other than the reporting currency.

Owners – a founder (owner) of an individual enterprise or founders of a partnership (general partners of a general partnership and general and limited partners of a limited partnership).

Owners' contributions – the value of assets previously held by the owner (owners) under right of ownership and transferred to an entity.

Subsidy – assistance provided by state and municipal authorities and other third persons intended for maintaining or reducing the prices of basic consumer goods (services) or for maintaining the level of production of such consumer goods (rendering of services).

Fair value – the amount for which an asset or service could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Operating activities – economic transactions related to activities which generate the largest portion of income during several reporting periods and which are considered as principal by an entity.

Current asset – an asset used by an entity within one year or within one operating cycle of the entity in order to obtain economic benefits.

Assets – tangible, intangible and financial resources managed, used and (or) disposed by an entity in order to obtain economic benefits from such use.

Currency items – cash and other financial assets in foreign currency as well as financial liabilities to be received or paid in a fixed or determinable number of units of foreign currency.

Operating cycle – a period between buying inventories for operations and their realisation in cash or other instruments readily convertible into cash.

Operating expenses – costs incurred during the reporting period and related to ordinary activities of an entity that are carried out irrespective of its sales volume, except for other activities.

Foreign currency – a currency other than the reporting currency of the entity.

III. PREPARATION OF FINANCIAL STATEMENTS

6. Annual financial statements shall be prepared in the manner established by legal acts and (or) if the preparation of the entity's financial statements is provided for in the bylaws of an individual enterprise or in the agreement on joint activities of a partnership.

7. The purpose of financial statements is to satisfy the need of the users of financial information to receive fair information about the entity's financial position and performance.

8. The following information shall be provided in financial statements:

8.1. assets;

8.2. equity;

8.3. liabilities;

8.4. income and expenses.

9. Financial statements shall comprise:

9.1. a balance sheet;

9.2. an income statement;

9.3. a statement of changes in equity;

9.4. explanatory notes.

10. The balance sheet shall present the entity's assets, equity and liabilities at the balance sheet date.

11. The income statement shall present all income earned during the reporting period, expenses incurred for earning such income and net operating result – profit or loss.

12. The statement of changes in equity shall present all changes in equity during the reporting period.

13. Explanatory notes shall explain material items of financial statements (balance sheet, income statement and statement of changes in equity), providing additional information and explanations relating to the entity's operations during the reporting period.

14. Information disclosed in financial statements shall be interrelated, neutral and reliable.

15. In annual financial statements the data shall be provided in a clear and understandable manner so that the users of information are able to take sound decisions. The data shall be summarised with due regard to the accounting policies selected and general accounting principles.

16. An entity shall select and apply such accounting policies which lead to a fair presentation of the entity's financial position and performance in the financial statements.

17. Irrespective of whether or not this Standard sets a procedure for recording and presenting a particular economic transaction or event, the entity shall follow such accounting policies which ensure that information included in financial statements:

17.1. is useful to its users, unbiased, neutral and comprehensive in all material respects;

17.2. presents fairly the entity's financial position and performance;

17.3. reflects the substance and economic meaning of economic transactions and events, rather than just meets formal disclosure requirements;

17.4. is prepared in accordance with the general accounting principles.

18. When keeping their records and preparing financial statements the entities shall follow these general accounting principles: entity's concept, going concern, periodicity, consistency, monetary measure, accrual, comparability, prudence, neutrality and substance over form.

19. The entity's concept means that each entity preparing financial statements shall be treated as a separate unit of accounting and only such entity's assets, equity, liabilities, income and expenses shall be presented in its financial statements.

20. The principle of going concern means that financial statements shall be developed assuming that the entity will continue in operation for the foreseeable future and that it is not going to be liquidated. Financial statements shall be prepared following the going concern principle, unless the entity's owners decide or are required to liquidate the entity and suspend its activities. If in the course of preparing financial statements some facts become known which are likely to raise doubts as to the entity's ability to continue in operation, this shall be specified in explanatory notes. When deciding whether the going concern principle can be applied all available information shall be taken into account. If financial statements are prepared disregarding the going concern principle, this shall be specified in explanatory notes, indicating the reason for the entity's failure to observe this principle.

21. The principle of periodicity means that financial statements shall be prepared on the basis of data of the last day of the financial year. Subsequent economic transactions and economic events shall be included in the accounting and disclosed in financial statements of the next reporting period. Consequently, the entity owners' decisions on profit distribution and other matters taken when approving financial statements of the previous financial year shall be attributed to economic transactions of the reporting period in which the decisions had been taken and shall be disclosed in the statements of that period.

22. The principle of consistency means that the entity shall apply the selected accounting method continuously or for a sufficiently long period, unless material events or circumstances predetermine the need to change the accounting policies. Classification of financial statement items or the manner of disclosing information may be changed only when it becomes clear that applied accounting methods prevent from presenting fairly the entity's performance and financial position.

23. The monetary measure principle means that all entity's total assets, equity and liabilities shall be expressed in financial statements in monetary terms.

24. The accrual principle means that economic transactions and events in accounting shall be recorded when they occur and are disclosed in financial statements of those reporting periods, irrespective of receipt or payment of cash. On the basis of the accrual principle income shall be recorded when it is earned and expenses when they are incurred for earning the related income. Consequently, those entities which keep their records on the cash basis but are required by laws or decide voluntarily to prepare financial statements, shall apply the accrual principle for the purpose of presenting the data in such statements.

25. The comparability principle means that financial statements shall include information of the current reporting year and at least one previous financial year. In the event of change in the presentation or classification of items of financial statements, the amounts of the previous financial year to be compared with the amounts of the reporting year shall be disclosed in the manner established in section VIII "Changes in accounting policies, accounting estimates and correction of errors". Financial statements shall be prepared in the manner, which will enable the users of financial information to compare them with the information of other reporting periods and with that provided by other entities and to correctly assess the changes in the financial position of the entity. Therefore, the entities shall select such accounting policies which will allow applying new accounting methods without violating the principle of comparability of financial statements.

26. The principle of prudence means that the entity shall select such accounting methods the observance whereof prevents from unreasonable overstatement or understatement of the value of assets, equity and liabilities, income and expenses.

27. The principle of neutrality means that information disclosed in financial statements shall be objective and unbiased. Its disclosure shall not depend on attempt to make the users of accounting information take decisions that are favourable to the entity.

28. The principle of substance over form means that when recording economic transactions and events the greatest attention shall be paid to their substance and economic meaning, rather just the formal disclosure requirements.

29. When keeping their records and preparing financial statements the entities shall take into consideration the materiality of information. Information shall be material if the failure to provide or disclose it may have considerable implications on decisions taken by users of information contained in financial statements. The materiality shall be measured on the basis of size and (or) nature of an item. Each material item in financial statements shall be presented separately. Insignificant amounts may be combined with the amounts of similar nature or designation, without distinguishing them separately.

30. Assets and liabilities in financial statements shall not be subject to offsetting, except in cases when:

30.1. assets and liabilities are related with the same person and

30.2. the offsetting of assets and liabilities or other elimination thereof is possible in the manner established by the agreement or legal acts (e.g., income tax paid in advance and (or) excess payment of income tax shall be offset with the payable income tax).

31. Income and expenses in financial statements shall be presented separately, however in cases specified in other paragraphs of this Standard the items of income and expenses may be offset disclosing only the net result, for example, upon disposal of non-current assets, receipt of compensation for incurred losses or disclosing implications of foreign exchange rate fluctuations.

32. Taking into consideration the materiality of events after the balance sheet date, financial statements may be subject to adjustments. Financial statements shall be adjusted, if events after the balance sheet date have a direct effect on the data of not yet approved financial statements, for example, a court decision shows that the entity will have to settle a liability not disclosed in the balance sheet on the balance sheet date; additional information is obtained evidencing that the value of an asset disclosed in the balance sheet had to be different on the balance sheet date; errors in prepared financial statements are identified after the balance sheet date; it is expected or becomes clear that after the balance sheet date the entity will not be able to continue as a going concern, etc.

33. Financial statements shall be prepared using the currency of the Republic of Lithuania. Financial statements shall be prepared in Lithuanian language, and where appropriate in a foreign language.

34. The balance sheet shall be prepared on the basis of the data of the day of founding the entity, taking the decision on reorganisation of the entity and appointment of the liquidator. If the entity is established in the second half of the financial year, it shall not be required to prepare annual financial statements for the year of establishment. Economic transactions and economic events of the year of establishing the entity shall be included in financial statements of the next financial year. Financial year may be shorter or longer than 12 months, but shall not exceed 18 months. In such cases explanatory notes shall specify the reasons for shortening, extending or changing the period of financial statements, including the comment that the data contained in the income statement and in the statement of changes in equity cannot be compared with the data of financial statements of the previous reporting period.

35. Entities may print their own financial statements, including all items referred to in Annexes 1-3 to this Standard or omitting those, the amounts of which at the beginning and at the end of the reporting period are equal to zero, or inserting additional line items in these statements, if this is necessary to present fairly the entity’s financial position and performance. Items referred to

in points 42 and 57 of this Standard shall be compulsory, i.e. they shall be included even if they have zero totals.

36. Each financial statement being issued shall specify:

36.1. the name, address and code of the reporting entity;

36.2. the financial reporting period, the last day of the financial year and the date of approval;

36.3. reporting currency;

36.4. the level of accuracy of date in financial statements. Information in financial statements may be provided in units or thousands of units of the reporting currency. Information in thousands of units may be provided only if no material information is lost in such case.

37. Annual financial statements comprising financial statements referred to in paragraph 9 of this Standard shall be signed by the head of the entity. If under laws and other legal acts the entity's financial statements are approved by its owners (by the decision of an owner of an individual enterprise, except for cases when the owner performs the functions attributed to the competence of the head of the entity, or of general partners of a partnership), the financial statements shall specify the date.

IV. BALANCE SHEET

38. Information presented in the balance sheet shall give a true and fair view of the entity's assets, equity and liabilities.

39. For the purpose of the balance sheet, assets and liabilities shall be classified as non-current and current assets and liabilities.

40. Non-current assets shall comprise intangible, tangible, financial and other assets meeting the definition of non-current assets. Current assets shall comprise inventories, contracts in progress, current financial assets, amounts receivable in one year, cash with unlimited period of use and other assets meeting the definition of non-current assets.

41. Non-current liabilities shall include the entity's amounts payable and liabilities to trade partners, credit institutions, state authorities and other legal and natural persons. Non-current liabilities shall also include short-term loans, if their maturity has been extended or if an agreement on recurrent financing for a period exceeding 12 months has been concluded. Current liabilities shall include the entity's amounts payable and liabilities to trade partners, credit institutions, state authorities and other legal and natural persons. Additionally, current liabilities shall include the portion of non-current amounts payable and liabilities that has to be paid up (settled) within one year from the balance sheet date.

42. Information in the balance sheet shall be arranged in the following order:

A. Non-current assets;

I. Intangible assets;

II. Tangible assets;

III. Financial assets;

IV. Other non-current assets;

B. Current assets;

I. Inventories, prepayments and contracts in progress;

II. Amounts receivable in one year;

III. Other current assets;

IV. Cash;

C. Equity;

I. Owners' contributions;

II. Retained profit (loss);

D. Grants and subsidies;

E. Liabilities;

I. Non-current liabilities;

II. Current liabilities.

43. The item of non-current assets shall comprise intangible, tangible, financial and other assets meeting the definition of non-current assets.

44. In the balance sheet intangible assets shall be stated at the value measured in accordance to paragraph 92 of this Standard.

45. The items of groups of non-current tangible assets shall state their carrying amount measured in accordance with paragraph 116 of this Standard, including prepayments paid for these assets, assets acquired by way of finance lease, temporarily idle assets and not fully installed assets.

46. The item of financial assets shall be used to present information about non-current financial assets, including prepayments for such assets.

47. The item of other non-current assets shall disclose other non-current assets not included in other items of non-current assets.

48. The item of current assets shall present inventories, prepayments and contracts in progress, amounts receivable in one year, other current assets and cash.

49. In the balance sheet inventories shall be stated at their acquisition (production) cost. The item of prepayments shall comprise prepayments made by the entity for current assets and services as well as deferred expenses.

50. Amounts receivable in one year shall be stated at the acquisition cost reduced by the amount of doubtful debts. The items of amounts receivable may also include accrued income.

51. The item of other current assets shall disclose current financial assets and other current assets not included in other asset items.

52. Cash item shall comprise cash in bank and on hand.

53. The item of equity shall be used to present the owners' contributions and profit earned during the reporting and previous periods, which has not yet been distributed, or uncovered losses.

54. Grants and subsidies received but not yet used or a part thereof shall be presented in the item of grants and subsidies.

55. The item of liabilities shall be used to present non-current and current liabilities. Accrued expenses and deferred income shall be recorded in the item of other liabilities. If amounts of accrued expenses and deferred income are material, they may be presented in separate line items and explained in explanatory notes.

V. INCOME STATEMENT

56. The data on the entity's operations during the reporting period provided in the income statement shall be classified into items of operating and untypical activities.

57. Information in the income statement shall be arranged according to the following items:

I. Sales revenue;

II. Cost of sales;

III. Gross profit (loss);

IV. Operating expenses;

V. Operating profit (loss);

VI. Other activities;

VII. Profit (loss) before taxes;

VIII. Income tax;

IX. State social insurance contributions for supplementary pension component;

X. Net profit (loss).

58. The items of sales revenue and cost of sales shall disclose revenue from sales related to the operating activities of the entity reduced by applied discounts and rebates, and cost of sales which comprises all expenses related to sales revenue less received discounts.

59. Operating expenses shall include selling, general and administrative expenses.

60. The item of other activities shall present income and related expenses or profit (loss) from ordinary, but untypical activities.

61. Income from other activities shall comprise: income from output of untypical activities, income from held for sale goods and services, income from use of non-current assets of the entity, royalties, profit from disposal of non-current assets, interest on loans to third persons, interest on cash in bank; profit from exchange rate fluctuations, recognised fines and income on overdue payments, etc.

62. Expenses for other activities shall comprise: cost of sales of output of untypical activities, cost of held for sale goods or services, losses on disposal of non-current assets, losses from exchange rate fluctuations, fines and interest on overdue payments, interest on assets acquired by way of finance lease, loan-related interest expenses, etc.

63. The income statement shall cover the data on the entity's results of operating and ordinary activities and ultimate results of the entity's operations. Gross and operating profit (loss), profit (loss) before taxes and net profit (loss) shall be used for this purpose.

64. Gross profit (loss) shall be equal to the difference between sales revenue and cost of sales.

65. Operating profit (loss) shall be obtained by reducing gross profit by operating expenses.

66. Profit (loss) before taxes reflects the entity's results of ordinary (operating and untypical) activities during the reporting period. It shall be calculated as the sum of operating profit (loss) and results of other activities.

67. Net profit (loss) shows the ultimate result of the entity's performance, i.e. distributable profit earned or losses incurred by the entity during the reporting period. Net profit shall be calculated by reducing profit (loss) before taxes by income tax expenses and state social insurance contributions for the supplementary pension component, which comprise the amount of estimated contributions of an owner of an individual enterprise or general partners of a partnership provided with compulsory insurance cover for the supplementary pension component.

VI. STATEMENT OF CHANGES IN EQUITY

68. The statement of changes in equity shall present all changes in equity. The statement of changes in equity shall include:

68.1. equity items at the beginning and at the end of the current and previous reporting periods;

68.2. net profit (loss) of the current and previous reporting periods;

68.3. increase (decrease) of the owners' contributions and their balance at the beginning and at the end of the current and previous reporting periods;

68.4. profit-distribution related payments to owners during the current and previous reporting periods.

VII. EXPLANATORY NOTES

69. Explanatory notes shall be an integral component of financial statements. Explanatory notes shall consist of a general part and comments of explanatory notes.

70. A general part of explanatory notes shall include the data on the entity and its activities: the entity's registration date; a brief description of its activities; significant research and development activities of the entity; increase (decrease) of the owners' contributions, if applicable, and the reasons for that; average number of the entity's employees at the end of the current and previous financial year. Explanatory notes shall include information about legal acts on the basis of which the financial statements have been prepared. If financial statements are prepared in accordance with the present Standard, the disclosure of the entity's accounting policies in explanatory notes shall be optional, except for the information specified in paragraph 74.

71. Comments of explanatory notes shall comprise tables (statements) and or textual information explaining relevant items of financial statements.

72. Comments of explanatory notes shall provide details only on material amounts of financial statements. Comments of explanatory notes shall be numbered in sequential order. The number of a comment of explanatory notes describing the relevant item shall be indicated next to it. If amounts specified in financial statements are insignificant for the assessment of the entity's financial position, their disclosure in comments of explanatory notes shall be optional.

73. Comments of explanatory notes shall include information, which is not disclosed elsewhere in financial statements and which is necessary in order to disclose more accurately the circumstances that are likely to affect the entity's operations, financial position and performance, or which is required by this Standard.

74. Comments of explanatory notes shall provide the following information:

74.1. the minimum value of non-current tangible assets set by the entity, methods applied for calculating depreciation of non-current tangible assets and useful lives of non-current tangible assets groups;

74.2. the value of assets leased out and (or) acquired by way of operating lease (transferred and (or) obtained under a loan-for-use agreement), lease duration (loan-for-use period) and possibility of its extension;

74.3. methods of measuring the cost of used or sold inventories;

74.4. the carrying amount of assets pledged to secure the entity's obligations and other restrictions of property rights;

74.5. the purpose and amounts of received, used and repaid grants and subsidies, a brief description of other forms of assistance and their effect on the entity's operations;

74.6. a brief description of material events after the balance sheet date the non-disclosure whereof is likely to have significant effects on decisions taken by users of the entity's financial statements;

74.7. other significant information.

VIII. CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

75. The entities shall select their accounting policies on the basis of the general accounting principles, legal acts regulating their operations and other legislation related to the keeping of records, as well as in accordance with the provisions of this Standard. The accounting policies shall be approved by the order of the head of the entity. Accounting policies applied in all reporting periods shall be the same in order to ensure comparability of the entity's financial statements of different periods.

76. Accounting policies may be changed as a result of amendments of laws or other legal acts, due to requirements of Business Accounting Standards or because the change would result in a more accurate presentation of the entity's financial position and performance. The adjustment of accounting estimates shall be carried out on the basis of the most recent available information (for example, a useful life of non-current assets or recognition of doubtful debts may be changed, etc.).

77. New accounting policies shall apply as from the day of taking the decision on their application and in future reporting periods. Application of new accounting policies to economic transactions and events the substance of which differs significantly from previous events or economic transactions, or which had not been carried out by the entity until that time shall not be considered as a change in the accounting policies.

78. If the entity changes its accounting policies or accounting estimate, adjustment of information in financial statements of the previous reporting period' shall not be required, and the fact of the change shall be disclosed in explanatory notes. The effect of a change in an accounting estimate shall be attributed to the reporting period during which the change was introduced, or not only to that reporting period but also to the subsequent reporting periods if they are also affected by the change.

79. Errors may result from inaccurate mathematical calculations, application of incorrect accounting policies or interpretation of facts, fraud or mistakes. Detected errors shall be corrected in financial statements of the period in which they were found in the same line of the financial statement in which they had been made. Effects of correction of errors on the results of the reporting period shall be described in explanatory notes specifying the amount of error and the reporting period when it was made.

IX. ACCOUNTING FOR INTANGIBLE ASSETS

80. Intangible assets shall comprise acquired identifiable non-monetary assets without physical substance, which are at the disposal of the entity and from the use of which the latter expects to gain direct and (or) indirect benefits for a period longer than one year.

81. Assets shall be recognised as intangible if they satisfy the definition of intangible assets and have all of the following characteristics:

81.1. it can be reasonably expected that the entity will gain economic benefits from the assets in future;

81.2. the acquisition cost of assets can be reliably measured and distinguished from the value of other assets;

81.3. the entity may dispose and control such assets or restrict the right of other persons to use it;

82. On the basis of reliable information available at the time of initial recognition of intangible assets and in accordance with the principle of substance over form, the probability of generating economic benefits, which may comprise revenue from sales of goods and services, reduction of expenses or other benefits generated by intangible assets used by the entity, shall be measured. The entity's ability to control intangible assets and economic benefits generated by them may be expressed in terms of legal rights. These rights include copyright and related rights.

83. Examples of intangible assets are:

83.1. registered trademarks acquired from another party;

83.2. patents and licenses;

83.3. copyright and related rights;

83.4. a right to demonstrate films;

83.5. software.

84. In certain cases intangible assets may be related to physical substance. Such assets may be contained on a compact disc (software), in documents (licences or patents), films, etc. When an asset has the features of tangible and intangible assets, for the purpose of classification, the feature which predominates shall be determined. Software or another intangible asset which is an inseparable part of tangible assets shall be attributed to tangible assets (for example, operational system of a computer without which the latter's functioning is impossible shall be attributed to the tangible asset (computer), and if software does not form a part of computer hardware, it shall be classified in intangible assets).

85. Costs incurred before the start of the entity’s operations (for example its costs of establishment, such costs of legal and consulting services, registration charges, costs of the start-up of a new business or activity, similar costs incurred before opening, beginning of operation or production), personnel training and representation costs, costs related to relocation or reorganisation of the entity (or its part), costs of preparing customers lists and similar objects, costs of trademarks, internal creation of publishing titles and similar costs shall not be recognised as intangible assets. Such costs shall be recognised as expenses at the time when they are incurred.

86. Costs related to the performance of planned activity aimed at gaining new scientific or technological knowledge, developing new or essentially improved products (materials, goods or services) incurred before the beginning of their commercial production or use shall be recognised as operating expenses during the period in which they are incurred.

87. For accounting purposes intangible assets shall be recorded at their acquisition cost. Acquisition cost of intangible assets shall comprise the amount of cash paid or payable upon acquisition of such assets or the value of other used assets, including customs duties and other unrecoverable taxes. Other direct costs related to the acquisition of assets or their preparation for the intended use (for example, fees for legal services) may also be included in the acquisition cost of assets.

88. Interest on amounts borrowed for the acquisition of intangible assets shall not be included in the acquisition cost of these intangible assets. They shall be recognised as interest expenses of the respective reporting periods.

89. Acquisition cost of intangible assets shall exclude value added tax, except in cases when value added tax is unrecoverable (not-deductible). The entity may include unrecoverable (non-deductible) value added tax in acquisition cost of assets or recognise directly in operating expenses.

90. If an entity acquires intangible assets as owners' contributions, the acquisition cost of assets shall be the value of assets approved by decision of the owners, which cannot exceed the fair value of assets. Costs of preparing such assets for use shall be recorded directly as operating expenses.

91. Intangible assets may be acquired in exchange for other assets. The exchange transaction shall be treated as a sale, i.e. in case of an agreement on exchange both parties thereto shall be concurrently considered as the seller of assets and the buyer of assets. Acquisition cost of an intangible asset acquired in exchange shall be determined by summing up the value set in the agreement on exchange with direct costs related to the exchange of the asset incurred before bringing it into use. If upon the entry into the agreement on exchange the value of the asset is not specified, the acquisition cost of the asset acquired in exchange shall equal to its fair value. All asset exchange-related costs incurred by the entity before bringing it into use shall be directly recognised in operating expenses.

92. In financial statements intangible assets shall be stated at their carrying amount which is the sum equal to the difference between the acquisition cost of assets and the amount of amortisation accumulated until the balance sheet date.

93. Intangible assets shall be amortised. Depreciable amount of an intangible asset shall be systematically allocated over the entire useful life of the asset. The amount of amortisation of an intangible asset shall be recognised as expenses during each reporting period, except for cases when amortisation expenses are included in the production cost of other assets. After bringing an intangible asset into use calculation of amortisation thereof shall commence as from the first day of the following month. Having sold or written off an intangible asset, its amortisation shall discontinue as from the first day of the following month or when the total value of the asset being used is transferred to expenses or to the cost of goods or services.

94. Amortisation of an intangible asset shall be calculated on the basis of the annual depreciation rate set by the entity on the basis of the expected useful life of the asset, information about useful lives of similar assets or assets used in a similar manner, technical, technological and other obsolesce, asset control period as well as legal and other factors limiting its useful life, dependence of the useful life of the asset upon useful lives of other assets of the entity.

95. The useful life of an intangible asset may be long, but always finite. It shall not exceed the period of validity of rights granted for its control for a limited period, except for cases when the rights may be renewed and when their renewal is reasonable. The residual value of an intangible asset may be taken as zero.

96. Amortisation of an intangible asset shall be calculated on the basis of the straight-line depreciation method using the following formula to calculate the annual amount of amortisation:

$$N = \frac{V}{T}\text{, where}$$

N – annual amount of amortisation;

V - acquisition cost of the intangible asset;

T – useful life in years.

97. The useful life of an intangible asset shall be revised on a regular basis. If the expected useful life of an asset significantly differs from previous assessments, the period of amortisation shall be adjusted.

98. Maintenance costs of intangible assets shall be attributed to expenses of the reporting period in which they are incurred. Incurred renewal or improvement costs of an intangible asset shall be recognised as expenses of that reporting period.

99. An intangible asset which is recorded in accounting but no longer meets the recognition criteria of intangible assets shall be written off.

100. Upon disposal of an intangible asset, the result of its disposal shall be presented in the item of other (untypical) activities of the income statement of the entity. Profit or loss resulting from the disposal of the intangible asset shall be calculated by reducing the received or receivable income by the book value of the disposed asset and all disposal-related costs.

101. Losses recognised upon a loss or write-off of a partially depreciated intangible asset shall be presented in operating expenses in the income statement.

102. An intangible asset, which is not used in the entity's operations and is held for disposal shall be transferred to the inventories account. It shall be registered there at the book value on the day of its transfer to the inventories account. This amount shall be treated as an acquisition cost of inventories. Requirements for inventories accounting are established by section XI "Accounting for inventories"

X. ACCOUNTING FOR NON-CURRENT TANGIBLE ASSETS

103. Non-current tangible assets shall comprise assets which generate economic benefits to the entity and are used for more than one year, and acquisition (production) cost of which is equal to at least the minimum value of non-current tangible assets set by the entity.

104. Tangible assets shall be attributed to non-current assets if they meet the following criteria:

104.1. the entity intends to use them for a period longer than one year;

104.2. the entity reasonably expects to gain economic benefits from the assets in future periods;

104.3. the entity is able to reliably measure the acquisition (production) cost of the assets;

104.4. the acquisition (production) cost of the assets is equal to at least the minimum value of tangible assets set by the entity for each group of assets;

104.5. risks related to the tangible assets were transferred to the entity.

105. Risks shall be transferred at the moment when the entity acquires the right to manage, use and dispose the tangible asset, when it becomes responsible for it and the benefits generated by the tangible asset are expected to flow to it. The moment of transferring risks, as a rule, shall be defined in the agreement.

106. A tangible asset creating preconditions for the entity's operations in future periods, even if it does not generate direct economic benefits, shall be recognised as a non-current asset (for example, assets acquired for the purposes of safety, environmental protection, or management).

107. If the entity is going to acquire tangible assets which will generate economic benefits to it for a period longer than one year, prepayments for such assets or other payments of similar nature shall be attributed to non-current assets that are recorded in separate accounts. Acquired non-current tangible assets which have not yet been brought into use or are uninstalled shall also be attributed to non-current tangible assets. In accounting the aforementioned assets shall be recorded in separate accounts and presented in relevant items of non-current tangible assets of the balance sheet.

108. In accounting non-current tangible assets shall be recorded at their acquisition (production) cost. Their acquisition cost shall comprise the amount paid or payable upon its acquisition (or the value of other used assets), including customs duties and unrecoverable taxes

related to the acquisition of such assets, costs of transportation, preparation for use, design work, assembly, installation, testing, adjustment, repairs, infrastructure and property registration, preparation of the land plot and construction site as well as other costs directly related to the acquisition of assets incurred before bringing them into use.

109. Interest on amounts borrowed for the acquisition or production of non-current assets shall not be included in the acquisition cost of non-current assets. They shall be recognised as interest expenses of the respective reporting periods. Acquisition cost of non-current assets shall exclude value added tax, except for cases when value added tax is unrecoverable. The entity may include the unrecoverable (non-deductible) value added tax in the acquisition cost of assets or record it directly in operating expenses.

110. Production cost of a non-current tangible asset shall be calculated by summing up the acquisition cost of raw materials and components used up in the production (construction) of the non-current asset and direct labour and indirect production (construction) costs (overheads) incurred during the production (construction) before the assets are brought into use. The cost of assets produced (constructed) for own needs shall be measured according to the same principles as those applicable to the acquisition of assets. Additional (abnormal) costs of materials and labour incurred when producing (constructing) assets for own needs shall be recorded as operating expenses of the reporting period.

111. Non-current tangible assets shall include construction in progress objects acquired by the entity or objects the construction of which is carried out by the entity and which will be used in the entity’s activities, also plant and machinery being assembled and their assembly (installation) work carried out by contractors or by the entity itself, which are still in progress at the end of the reporting period.

111.1. The value of acquired construction in progress objects shall be calculated by adding the costs on registering the acquisition and the value of work completed in such object by the end of the reporting period to the amount paid or payable to the seller of the object. If construction work is performed by contractors, the value of construction in progress may be determined on the basis of statements on work completed by contractors, payment or other documents. Prepayments made for construction work shall be attributed to construction in progress in the balance sheet. If an object is being constructed by the entity itself, the value of the object under construction shall comprise the value of acquiring used raw materials and components and of completed design work, direct labour and indirect production costs as well as other costs related to the construction of such object. Depreciation of construction in progress shall not be calculated.

111.2. The value of acquired plant and machinery under installation shall be calculated by adding the amount of costs related to the acquisition of assets and the value of installation work completed until the end of the reporting period to the amount paid or payable to the seller of the asset. If installation work arise performed by contractors, its value may be determined on the basis of statements on work completed by contractors, payment or other documents. If the object is being installed by the entity itself, the value of assets under installation shall comprise the value of acquiring used raw materials and components and of completed installation work, direct labour costs and other costs related to the preparation of such assets for use. Depreciation of assets the installation of which has not been finished shall not be calculated.

112. If the entity acquires non-current tangible assets in the form of owners’ contributions, the acquisition cost of assets shall be equal to the value of assets approved by the decision of the owners which shall not exceed the fair value of assets. Costs of preparing such assets for use shall be recorded as operating expenses.

113. Acquisition cost of non-current tangible assets acquired gratis (donated) shall be equal to the value of such assets approved in the donation agreement or another document which shall not exceed the fair value, as well as costs related to the acquisition of such assets and their preparation for use. When the value of an asset is not available, the value of acquired non-current tangible assets to be treated as its acquisition cost shall be determined by the entity on the basis of the fair value of the asset.

114. Acquisition cost of non-current tangible assets acquired by way of finance lease shall be equal to the amount of asset value coverage specified in the agreement, i.e. the value of the asset, excluding interest, costs of services, tax or other fees provided for in the agreement. Costs related to the conclusion of the lease agreement and preparation of assets for use as well as costs incurred before the assets are brought into use shall be attributed to acquisition cost of assets acquired under the finance lease agreement. Such costs shall exclude interest expenses.

115. Non-current tangible assets may be acquired in exchange for other assets. An exchange transaction shall be treated as a sale, i.e. in case of an agreement on exchange both parties thereto shall be concurrently considered as the seller of assets and the buyer of assets. Acquisition cost of a tangible asset acquired in exchange shall be determined by summing up the value provided for in the agreement on exchange with direct costs related to the exchange of the asset incurred before bringing it into use. If upon the entry into the agreement on exchange the value of assets is not specified, the acquisition cost of the asset acquired in exchange shall equal to its fair value plus all costs related to the exchange that are incurred by the entity before bringing the assets into use.

116. Upon acquisition or production non-current tangible assets, they shall be recorded at their acquisition (production) cost and in financial statements they shall be presented at the carrying amount which is equal to the difference between the acquisition cost of assets and the amount of depreciation accumulated before the balance sheet date.

117. For the purposes of accounting non-current assets shall be classified on the basis of their nature and purpose. The number and types of asset groups shall be determined by entities at their own discretion. The entity may set different minimum values of non-current assets for each group of assets. Examples of non-current tangible asset groups are:

117.1. land;

117.2. buildings and construction;

117.3. plant and machinery;

117.4. vehicles;

117.5. equipment.

118. Non-current tangible assets may be of a finite (buildings, construction, machinery, plant, equipment, etc.) and infinite (land) useful life. Depreciation shall be calculated only on assets of a finite useful life.

119. Depreciation of non-current tangible assets shall be calculated on the basis of an annual depreciation rate set by the entity in consideration of:

119.1. the expected useful life;

119.2. the expected intensity of use of non-current tangible assets, environment of their use, changes in useful features of assets throughout their useful life;

119.3. the technological and economic progress due to which the assets become morally obsolete;

119.4. legal and other aspects limiting the useful life of non-current tangible assets.

120. Depreciation of library funds, works of art, exhibits of museums, non-current tangible assets included in the register of cultural objects shall not be calculated, except for depreciation of buildings and construction that have been repaired or reconstructed. If buildings and construction included in the register of cultural objects were reconstructed or repaired and their value increased as a result, depreciation shall be calculated only on the value of reconstruction or repairs by which the acquisition cost of buildings was increased. Also, non-current tangible assets transferred under finance lease agreements shall not be depreciated.

121. Depreciation of non-current tangible assets used under a lease agreement having the characteristics of a lease agreement shall be calculated and presented in financial statements by the lessee, i.e. the person who according to the agreement uses in its activities the assets owned by another person. A lease agreement shall be recorded in accounting as a finance lease, provided it has one of the following characteristics:

121.1. at the end of the term of the agreement the ownership right passes to the lessee;

121.2. the lessee has a right to acquire the assets at the end of the term of the agreement for a price considerably lower than the fair value of assets, and at the beginning of the term it is highly probable that this right will be exercised;

121.3. the term of the agreement covers the major part of the economic life of the assets, even if the ownership right is not conveyed. The lease term should make up at least 75% of the economic life of the assets;

121.4. at the beginning of the agreement period the present value of minimum contributions is equal to the fair value of the assets or makes up at least 90% thereof;

121.5. the assets are of a specific designation and without major adjustments can be used only by the lessee.

122. Depreciation of non-current tangible assets used under a finance lease agreement shall be calculated according to the same accounting policies which apply to depreciation of own property. If the agreement does not establish that the ownership right of assets passes over to the lessee at the end of the lease term or if the latter is not intending to acquire the assets at the end of the lease term, such assets shall be depreciated over the lease term set in the agreement during which the lessee undertakes to lease the assets.

123. Depreciation of assets acquired on the basis of an agreement on operating lease or loan-for-use shall be calculated and recognised as expenses by the owner (lessor or lendor) of the assets. Depreciation of assets leased out or transferred under a loan-for-use agreement shall be calculated according to the same accounting policies which apply to other assets of the same group used by the entity.

124. Depreciation of idle non-current tangible assets shall not be calculated. In accounting such assets shall be recorded in a separate account and in financial statements presented in the same group of assets to which the assets were attributed while they were in use. Assets temporarily idle because of repairs shall not be attributed to idle assets.

125. When non-current tangible assets are brought into use, calculation of depreciation thereof shall commence as from the first day of the following month. Calculation of depreciation of written off, disposed or otherwise transferred non-current tangible assets that are no longer used shall be discontinued as from first day of the following month or when the total value of used non-current assets (less the residual value thereof) is transferred to expenses or to the cost of goods or services.

126. The set useful life of non-current tangible assets and their residual value may be adjusted on the basis of obtained additional information. The book value of non-current tangible assets, beginning from the period during which the useful life or residual value was adjusted, shall be depreciated over the remaining (adjusted) useful life of assets.

127. If the acquisition cost of non-current tangible assets is increased by the cost of performed reconstruction or repairs, depreciation shall be calculated on the basis of the increased value. The book value of such assets, beginning from the period of its adjustment, shall be depreciated over the remaining (adjusted) useful life of assets.

128. Calculation of adjusted depreciation of non-current tangible assets shall commence as from the first day of the following month.

129. Non-current tangible assets may be depreciated applying the following depreciation methods:

129.1. straight-line method;

129.2. units-of-production method.

130. Under the straight-line depreciation method the annual amount of depreciation shall be calculated according to the following formula:

$$N = \frac{V_1 - V_2}{T}, \text{ where}$$

N – annual amount of depreciation;

V_1 – acquisition (production) cost of a non-current tangible asset;

V_2 – residual value of a non-current tangible asset;

T – useful life in years.

131. Under the units-of-production method the amount of depreciation shall depend upon the volume of output produced (services provided) using a certain object of non-current tangible assets. Under this method the amount of depreciation shall be calculated using the following formula:

$$N = \frac{(V_1 - V_2) \times P}{P_{max}}, \text{ where}$$

N – amount of depreciation related to the output produced (services rendered);

V_1 – acquisition (production) cost of a non-current tangible asset;

V_2 – residual value of a non-current tangible asset;

P – amount of output produced (services rendered) during the reporting period;

P_{max} – maximum amount of output (services) expected to be produced (rendered) using the object of non-current tangible assets over its useful life.

132. Depreciable objects of non-current tangible assets shall be determined by entities. Such objects may include a group of identical homogeneous units of assets, a separate unit of assets or a component of a unit of assets if the useful life of such component is different than the useful life of the underlying asset and it possible to measure the acquisition (production) cost of such component. If the acquisition (production) cost of such components can be reliably measured and it is not smaller than the minimum value of non-current tangible assets set by the entity, the latter may record these components in accounting and depreciate them as separate non-current tangible assets.

133. Depreciable amount of a non-current tangible asset shall be systematically allocated over the entire useful life of the asset.

134. The amount of depreciation of a non-current tangible asset shall be recognised as expenses during each reporting period, except for cases when depreciation expenses are included in the cost of production of other assets.

135. Depreciation method applied for depreciating non-current tangible assets and useful life thereof shall be subject to regular revisions.

136. Amendment of the depreciation method shall be treated as a change in accounting policies, and the change of useful life – as a change of accounting estimates. Requirements for recording in accounting changes in accounting policies and accounting estimates are established in section VIII "Changes in accounting policies, accounting estimates and correction of errors" of this Standard.

137. Maintenance costs related to non-current tangible assets and leased assets or assets acquired under a loan-for-use agreement, if they are not compensated by the lessor or lendor, shall be attributed to operating expenses of the reporting period during which they are incurred, if according to the entity’s accounting policies they are not classified as cost of sales.

138. Recording of reconstruction and repairs of non-current tangible assets in accounting shall depend upon the result of such work:

138.1. if the reconstruction and repairs of non-current tangible assets extend their useful life and improve their useful features, the acquisition cost of these non-current tangible assets shall be increased by the value of such work and the useful life of the assets shall be adjusted;

138.2. if the reconstruction and repairs of non-current tangible assets only improve their useful features, but do not extend their useful life, the acquisition cost of the non-current tangible assets shall be increased by the value of such work, without adjusting the useful life of the assets;

138.3. if the reconstruction and repairs of non-current tangible assets do not improve their useful features, but extend their useful life, the acquisition cost of these non-current tangible assets shall be increased by the value of such work and the useful life of the assets shall be adjusted;

138.4. if the reconstruction and repairs of non-current tangible assets neither improve its useful features nor extend their useful life, the value of such work shall be recorded as expenses of the reporting period;

139. If the lessor does not compensate reconstruction and repair costs incurred by the lessee, such costs shall be recorded as the lessee's operating expenses during that reporting period in which they have been incurred. If the recognition of reconstruction and repair costs as expenses of the same reporting period in which they have been incurred may considerably distort operating results, such costs in accounting shall be recorded as assets and recognised as expenses during the remaining lease term. If the reconstruction and repairs of non-current tangible assets extend their useful life or improve their useful features, the lessor shall increase the acquisition cost of these non-current tangible assets by the amount of repair costs recording in accounting a received grant.

140. If the lessor agrees to compensate the value of completed repairs or to the lease payments accordingly, the lessee shall record repair costs in accounting as an amount receivable. The lessor shall register repair costs in accounting in accordance with the provisions of paragraph 138 of this Standard.

141. If due to an accident or other reasons the cost of repairs of damaged assets is compensated by an insurance company, repair costs shall be reduced by the amount of compensation. If the amount of compensation exceeds the costs of repairs, the difference shall be recognised as income from other activities of the reporting period.

142. If non-current tangible assets recorded in accounting no longer meet the recognition criteria of non-current tangible assets, they shall be written off or classified as current assets.

143. If assets being written off are not fully depreciated, the outstanding depreciable amount shall be recognised as a loss from operating activities of the reporting period resulting from the write-off of assets. If components or raw materials remain upon dismantling of assets, they shall be recorded in the inventories' account at the value which shall not exceed the book value of assets being written off, respectively reducing the loss from operating activities of the reporting period resulting from the write-off of assets.

144. Upon disposal of a non-current tangible asset, the result of its disposal shall be presented in the income statement and it shall be calculated by reducing the received (receivable) income by the book value of the sold asset and all disposal-related costs.

145. A non-current tangible asset, which is no longer used in the entity's activities and which is held for sale shall be moved to the inventories account. It shall be registered there at the book value on the day of its transfer to the said account. This amount shall be treated as the acquisition cost of inventories. Accounting requirements for inventories are established in section XI "Accounting for inventories"

146. When assets are lost as a result of theft, natural disasters or phenomena or other similar reasons, losses resulting from the loss of such assets shall be recognised as losses from other activities of the reporting period if compensation of these losses is impossible. If it can be reasonably expected that suffered losses will be indemnified, they shall be reduced by the amount expected to be received, concurrently recording an amount receivable. If the amount expected to be received is lower than the value of lost assets, the difference between the book value of lost assets and the amount expected to be received shall be recorded as expenses for other activities of the reporting period, and if it is higher than the value of lost asset - as income from other activities of the reporting period.

XI. ACCOUNTING FOR INVENTORIES

147. Inventories are current assets used by the entity to earn revenue during one year or one operating cycle of the entity. Inventories include raw materials and components, work-in-progress, finished goods and goods held for resale.

148. For the purposes of accounting and preparation of financial statements inventories shall be measured at their acquisition (production) cost.

149. Acquisition cost of inventories shall comprise their purchase price, adjusted by amounts of received rebates when due to poor quality the supplier reduces the purchase price of sold goods (hereinafter referred to as rebates), and discounts. Adjustments of the purchase price

made after recording of inventories in accounting and related with rebates and discounts shall be recorded as follows:

149.1. if inventories have already been sold – the cost of sales shall be adjusted reducing it by the amount of discounts and rebates;

149.2. if inventories have not been sold yet – the acquisition cost of inventories shall be adjusted reducing it by the amount of discounts and rebates related to unsold inventories. However, if this is impossible or impracticable and if the amounts do not significantly distort the financial statements, the cost of sales shall be adjusted in the manner set in subparagraph 1 of paragraph 149 of this Standard.

150. For the purpose of determining the acquisition cost of inventories, their purchase price shall be summed up with all purchase-related taxes and charges (except for those to be recovered later), as well as costs of transportation, preparation for use and other costs directly related to the acquisition of inventories. Costs of transportation and storage of inventories as well as other costs may be recognised as expenses (cost of sales) during the same period in which they have been incurred, if their amounts are insignificant.

151. Acquisition cost of inventories shall exclude value added tax paid, except for cases when value added tax is unrecoverable. If value added tax is unrecoverable (non-deductible), the entity may recognise it directly as operating expenses of the reporting period or include it in the acquisition cost of inventories, if its recognition as operating expenses may significantly distort the entity's operating results.

152. The cost of inventories (goods) produced during the reporting period shall comprise direct and indirect production costs.

153. Direct production costs are costs which may be attributed to the produced output directly without incurring significant expenses. Direct production costs, as a rule, comprise costs of primary raw materials and components as well as direct labour costs (wages to employees directly engaged in the production of goods, their social insurance and guarantee fund contributions).

154. Indirect production costs are costs indirectly related to production of goods. These shall include costs of ancillary raw materials and components, indirect labour costs, depreciation and other production costs which cannot be attributed to particular products or groups thereof without incurring significant costs. For accounting purposes they shall be recognised using allocation methods.

155. The entity shall select the criteria for classifying particular production costs as direct and indirect costs as well as for allocating indirect production costs in reference to the nature of production. Groups of costs that are included in the cost of finished goods shall be specified in comments of explanatory notes.

156. When costs of each product cannot be determined separately, they shall be allocated on a reasonable and reliable basis. For example, allocation of costs may be carried out on the basis of the expected sales price of each product.

157. If production generates waste or other by-products the value of which is insignificant but which may be sold, they shall be measured at the price of sale. This value shall be deducted from the cost of the underlying product.

158. If it is necessary because of the nature of the entity's operations, service providers may accumulate costs related to the rendering of services as inventories. The cost of inventories of a service provider shall comprise labour costs and other costs directly related to the rendering of services and indirect costs attributable to them.

159. For the purpose of calculating the cost of inventories used in production or sold, the entity may apply the FIFO method (assuming that inventories acquired or produced first shall be used up first), method of weighted (moving) average, specific identification of cost method or other appraisal methods, depending on the movement in inventories in the entity and other conditions.

160. Application of the FIFO method is based on assumption that inventories acquired first shall be sold or used up first. It means that inventories remaining at the end of the reporting period

have been acquired or produced most recently. Application of this method shall also be recommended in cases when it is impossible to determine which inventories have been used up first.

161. If inventories are mixed and it is impossible to separate which have been acquired or produced first, they may be assessed applying the weighted average method. Under this method the cost of inventories shall be measured based on weighted average prices of the units of inventories at the beginning of the reporting period and of the units of similar inventories acquired or produced during this reporting period. The average may be calculated periodically or as each additional shipment of inventories is received (depending on the circumstances in each entity and on inventories are used).

162. The cost of bulky inventories and goods produced and services rendered for a specific purpose may be measured applying the specific identification of cost method. Under this method identified units of inventories shall be measured at their cost. The specific identification of cost method may be applied to inventories designated for a particular project. This method shall not apply when there are many units of inventories which are easily interchangeable.

163. Consumption or sales of inventories in accounting may be recorded on a constant or periodic basis. Under the constant inventory accounting method, each transaction related to consumption or sales of inventories shall be recorded in accounting. If the application of the constant inventory accounting method is impracticable, the periodic accounting method may be applied, whereby the cost of remaining inventories and the cost of sold goods is recorded in accounting at the end of the reporting period upon the completion of stock-taking.

164. Inventories that are damaged, obsolete and (or) unsuitable for use in the entity's activities shall be written off. Losses resulting from the write-off of inventories shall be recorded as operating expenses.

XII. ACCOUNTING FOR NON-CURRENT AND CURRENT FINANCIAL AND OTHER ASSETS

165. Financial assets shall comprise cash, amounts or granted loans receivable by the entity and acquired securities, other than those issued by the entity itself.

166. In the balance sheet financial assets shall be classified into non-current and current financial assets.

167. Non-current financial assets shall comprise assets expected by the entity to be held for a period longer than one year. Non-current financial assets (except for the current year portion of amounts receivable and granted loans) shall comprise non-current investments in other entities, granted non-current loans, amounts receivable after one year and other financial assets that meet the definition of non-current assets.

168. Current financial assets (including the current year portion of amounts receivable and granted loans) shall comprise current investments in other entities which are expected to be sold or otherwise disposed of within one year from the balance sheet date, granted loans expected to be recovered within one year from the balance sheet date, amounts receivable within one year, cash and other financial assets that meet the definition of current assets.

169. If it is not possible to use cash freely for more than one year, for example, when cash is held in the deposit account, such cash shall be classified as non-current financial assets.

170. In accounting financial assets shall be registered only when the entity acquires cash or other financial assets or obtains the contractual right to acquire them. Forecast transactions, received guarantees and warranties shall not be recognised as the entity's assets.

171. At initial recognition of financial assets the entity shall measure them at acquisition cost. Acquisition cost shall be measured on the basis of the amount of cash paid or payable for the financial asset or the value of another transferred assets. Acquisition cost of financial assets may also direct transactions costs. If the asset entitles to receive interest, its carrying amount shall be adjusted by the amount of accumulated interest. Interest shall be accumulated during the entire period of the agreement and recognised as income from other activities.

172. Prepayments for non-financial assets, for example, non-current tangible, intangible assets, inventories or services shall not be attributed to financial assets.

173. Acquisition cost of a financial asset acquired in exchange shall be determined by summing up its value set in the agreement on exchange with costs related to the exchange of such asset. If the agreement on exchange does not specify the value of the asset, the acquisition cost of the asset shall equal to the fair value of the asset given up in exchange. The difference between the fair value and the carrying amount of the transferred asset shall be recognised as profit (loss) from other activities.

174. The entity shall derecognise a financial asset (or a part thereof) only when it loses the right to exercise control over such asset (or a part thereof). The entity shall lose the right to exercise control over the asset when it obtains all benefits provided for in the agreement, the period of validity of the right expires or when the entity conveys such right to other entities.

175. If when disposing amounts receivable (debts) the entity transfers all risks related to their receipt and repurchase of debts is not provided, transferable debts (discounts, debt collection expenses, etc.) may be reliably measured and it is not provided that the buyer of debts can refuse such transaction, the transaction shall be treated as a sale of debts and they shall be written off. In accounting the transaction of disposal of amounts receivable shall be recorded reducing trade debtors by the amount of sold debts and respectively recording received cash and the result of the transaction. The result of the sale of debts shall be presented in the income statement of the reporting period.

176. If the transaction of disposal of amounts receivable (debts) does not conform to the requirements of paragraph 175 of this Standard, it shall be treated as a transfer of debts with collateral. For accounting purposes such transaction shall be recorded as a loan secured by collateral, transferring amounts receivable to the account of disposed amounts receivable and respectively recording cash received and amounts payable.

177. When deciding whether the entity still controls financial assets, one shall consider the conditions of disposal. The entity which disposes of an asset but retains control over it shall not derecognise such asset. If the right of ownership of a financial asset is conveyed to another entity for cash or any other consideration, but such disposal does not satisfy derecognition conditions set in paragraph 174 above, the entity conveying the right of ownership shall record the transaction as a loan secured by collateral. For example, the entity enters into a repurchase transaction according to which it conveys the right of ownership to another entity, but still exercises control over such asset and will repurchase the right of ownership later.

178. Upon disposal of a financial asset or a part thereof or its write-off due to any other reasons, the transaction result (profit or loss), where applicable, shall be presented in the income statement. The result of disposal of the financial asset for accounting purposes shall be registered during that reporting period in which the asset was disposed. The result of disposal of the financial asset shall be attributed to income from other activities, when financial asset is disposed profitably, or to expenses for other activities, when the asset is disposed at a loss.

179. In financial statements investments in other entities shall be stated at acquisition cost. Securities the fair value (market price) whereof can be reliably measured, shall be recorded at their fair value. Having obtained reliable information that the entity in which the investment was made is going bankrupt, the investment shall be reduced to the amount expected to be recovered. Losses from writing-off investments in other entities shall be attributed to expenses for other activities.

180. Amounts receivable in financial statements shall be disclosed at acquisition cost less doubtful debts. When information is received evidencing that the beneficiary of goods or services or the borrower is insolvent or when there are reasonable doubts as to its solvency, amounts receivable shall be reduced by the amount of doubtful debts. For the purposes of accounting doubtful debts shall be recorded in accounts of doubtful debts and recognised as operating expenses of the reporting period. If the recovery of doubtful debts is no longer feasible, they shall be written off, recording in accounting the reduction in amounts receivable and doubtful debts.

181. Prepayments under agreements to be carried out after one year from the balance sheet date and other non-current assets not included in intangible, non-current tangible or financial assets, but which meet the definition of non-current assets shall be attributed to other non-current assets.

182. Income tax paid in advance and excess payment of income tax of the current and previous reporting periods shall be attributed to other current assets.

XIII. EQUITY

183. The entity’s equity shall comprise:

183.1. owners’ contributions;

183.2. retained profit (loss).

184. Owners’ contributions shall be equal to the value of assets transferred by the founders (owners, general partners or general and limited partners) to the entity.

185. Upon establishment of a new entity, for accounting purposes the owners’ contributions shall be recorded after the entity is registered in the manner established by laws.

186. The owners may contribute cash and (or) any other assets held by them under the right of ownership.

187. Owners’ contributions shall be recorded in the account of owners’ contributions:

187.1. upon the transfer of assets held by the owner to the ownership of an individual enterprise on the basis of disposal documents prepared and signed by the owner;

187.2. when a general partner makes, or undertakes to make, the contribution to the partnership in the manner established under the Law on Partnerships and in the agreement on joint activities;

187.3. when a limited partner makes a contribution to the limited partnership in the manner established under the Law on Partnerships and in the agreement on joint activities.

188. A contribution in the form of assets of an owner of an individual enterprise shall be equal to the value of assets specified in the documents drawn up and signed thereby, which shall not exceed the fair value of transferred assets.

189. A contribution in the form of assets of a general or limited partner of a partnership shall be equal to the total value of transferred assets approved by decision of all general partners of the partnership, which shall not exceed the fair value of transferred assets.

190. If a decision is taken to increase the owners’ contributions, their increase for accounting purposes shall be recorded:

190.1. upon the transfer of assets held by the owner to the ownership of an individual enterprise on the basis of disposal documents prepared and signed thereby;

190.2. upon registration of amendments to the agreement on joint activities in the manner established under the Law on Partnerships.

191. If a decision is taken to reduce the owners’ contributions, their reduction for accounting purposes shall be recorded:

191.1. when the owner of an individual enterprise recovers cash and (or) his contribution in the form of assets. Upon the recovery of assets the owners’ contributions shall be reduced by the book value of recovered assets;

191.2. upon registration of amendments to the agreement on joint activities in the manner established under the Law on Partnerships.

192. If a decision to increase (reduce) the owners’ contributions has already been taken, but amendments to the agreement on joint activities have not yet been registered, information on the decision to increase (reduce) the owners’ contributions shall be disclosed in explanatory notes.

193. If at the moment of recovery of the contribution in the form of assets the book value of such assets is higher compared to the value at the moment of the transfer of such assets to the entity due to substantial asset improvement on the entity's account, firstly, the owners’ contributions shall be reduced by the amount of the specific owner's contribution, and where such amount is insufficient, the retained profit (loss) shall be reduced. The amount of reduced owners’

contributions shall be recorded in the line “Increases (reduction) of owners’ contributions” and the amount exceeding the amount of the specific owner’s contribution – in the line “Other payments to owners” of the statement of changes in equity.

194. Retained profit (loss) of the entity shall comprise profit earned or losses suffered by the entity.

195. Retained profit shall be increased recording net profit of the reporting period. Retained profit shall be reduced recording losses of the reporting period; when the owners decide to distribute profit or upon advance allocation of the part of the entity’s profit.

196. In accounting profit distribution shall be registered when the owners take a decision to allocate the profit irrespective of when the profit was earned.

197. Retained losses shall be reduced recording net profit of the reporting period; upon receipt of owners’ contributions to cover losses or when a decision is taken to cover losses by reducing the owners’ contributions; and they are increased recording losses of the reporting period.

XIV. ACCOUNTING FOR GRANTS AND SUBSIDIES

198. For accounting purposes two types of grants and subsidies (hereinafter referred to as grants) shall be recorded:

198.1. grants related to assets that are received in the form of non-current assets or allocated for purchase, construction or other acquisition of non-current assets. The receipt of such grants may be subject to additional conditions relating to the type of assets, their location or period during which the assets are to be acquired or held. Grants related to assets may include grants in the form of current assets or for the acquisition thereof, if at the end of the reporting period there is a significant outstanding balance of the grant.

198.2. grants related to income that are received for compensation of costs or unearned income of the current or previous reporting periods, as well as all other grants not attributed to grants related to assets.

199. A grant shall be recognised, recorded in accounting and presented in the balance sheet only if it is actually received.

200. Forgivable loans may be recognised as grants, if an entity can reasonably guarantee that all loan utilisation conditions will be satisfied and its repayment will not be required from the entity. Interest free loans or loans with reduced interest shall also be treated as a form of financial assistance, but the interest not required to pay shall not be treated as a grant.

201. Grants received in the form of assets shall be recorded in accounting at the specified value of the received assets, which shall not exceed the fair value of the assets, or at their fair value if the value of such assets is not specified.

202. Received grants or parts thereof shall be recorded as used during those reporting periods in which expenses related to these grants are incurred.

203. Grants related to assets shall be recorded in instalments, i.e. by reducing the balance sheet item “Grants and subsidies” by the amount of depreciation of such assets and by reducing the respective item of expenses. Grants related to non-current assets shall be recognised as used at the amounts equal to the amounts of depreciation of received non-current assets included in expenses. If a grant for the acquisition of a non-current asset is received in cash, the use of such grant shall not be recognised until deprecation of acquired assets is commenced. Grants received in the form of inventories shall be recognised as used during that reporting period in which the received inventories are used.

204. The use of grants related to income for accounting purposes shall be recorded as follows:

204.1. a grant received for compensation of unearned income shall be recognised as used to the extent of the estimated amount of unearned income during a certain period, i.e. the item of unearned income shall be increased by the used part of the grant, and the remaining part of the grant shall be presented in the “Grants and subsidies” item of the balance sheet;

204.2. a grant received for compensation of incurred expenses shall be recognised as used in instalments to the extent of incurring expenses for the compensation of which the grant is intended, i.e. by reducing the balance sheet items of “Grants and subsidies” and of compensatory expenses.

205. The use of grants related to income shall be presented in the reporting periods in which the related expenses are incurred or income is unearned for the compensation whereof the grant or a part thereof was allocated. If it is impossible to relate grants to incurred expenses or expenses of future reporting periods or to unearned income, the use of such grants shall be recognised during the reporting period in which the grants are received in the manner established by paragraph 204 hereof.

206. Where grants are received as financial support without any conditions attached to them, they shall be recognised as income from other activities at once. If grants are received as a compensation for expenses and losses incurred or income unearned during the previous reporting periods, they shall be recognised as used at once in the manner established by subparagraphs 204.1 and 204.2 hereof.

207. In financial statements the remaining balance of grants shall be presented in the balance sheet item of “Grants and subsidies”.

XV. ACCOUNTING FOR LIABILITIES

208. Liabilities shall include contractual liabilities to pay cash or to make a settlement in other assets. They may arise from contractual terms or as requirements established by law.

209. Examples of liabilities include amounts payable for received goods or services, loans and interest, prepayments received for sold assets or rendered services, liabilities to pay cash and interest over the contractual period for assets acquired under a finance lease agreement, to pay taxes under tax laws, to pay salaries to employees under the Labour Code, etc.

210. In the balance sheet, liabilities shall be classified as non-current and current liabilities.

211. Non-current liabilities shall be those to be settled by the entity after one year from the balance sheet date. Non-current liabilities shall comprise the entity’s debts and liabilities to suppliers, credit institutions, state and municipal authorities and other legal and natural persons. Non-current liabilities shall also include current loans, if their maturity has been extended or if an agreement on recurrent financing is concluded for a period exceeding 12 months.

212. Current liabilities shall be those to be settled by the entity within one year from the balance sheet date. Current liabilities shall comprise the entity’s debts and liabilities to suppliers, credit institutions, state and municipal authorities and other legal and natural persons. Additionally, current liabilities shall include the current year portion of non-current liabilities to be settled within one year from the balance sheet date as well as accrued payments for annual leaves of employees.

213. In accounting liabilities shall be recorded at the time when they occur, i.e. when the entity assumes an obligation to pay cash or to make a settlement in other assets. Forecast transactions, issued guarantees and warranties that do not have to be settled yet, shall not be attributed to the entity’s liabilities, until they meet the definition of a liability.

214. At initial recognition of a liability the entity shall measure it at cost. Subsequently its value shall be reduced by the amount paid and presented in the balance sheet after deducting the amount paid and adding interest accrued on such liability. Transaction costs shall be recognised in the income statement as expenses during the period when they are incurred.

215. Upon entry into an exchange transaction, the cost of the resulting financial liability shall be measured on the basis of value indicated in the agreement on exchange. If the agreement on exchange does not specify the value of the liability, its cost shall be equal to the fair value of the liability received in exchange.

216. When an issued guarantee is recognised as a liability, until the end of the guarantee period it shall be measured at the amount to be paid, and if it is impossible to identify such amount, at the amount referred to in the letter of guarantee.

217. Obligation to pay cash and interest for received assets during the contractual period shall be recorded in accounting as a finance lease, provided the agreement meets at least one of the criteria referred to in paragraph 121 hereof.

218. Upon receipt of assets under the finance lease agreement, the lessee shall record non-current liabilities at the amount being financed.

219. Lease payments shall be broken down into the amount of asset value coverage, interest and other payments (recoverable fees, contingent rent). Interest shall be attributed to expenses for other activities which shall be recorded in accounting on the accrual basis. Amounts payable under lease agreements shall be reduced by the amount of asset value coverage, whereas recoverable fees and contingent rent shall be attributed to operating expenses of the reporting period if such costs are not included in the acquisition (production) cost of other assets. Lessees shall record interest payable during the period of a finance lease contract in the off-balance sheet accounts.

220. Amount of income tax unpaid during the current and previous reporting periods shall be recognised as a liability. Income tax of the reporting period shall be calculated applying income tax rates established by legal acts regulating taxes.

221. The entity shall write-off a liability or a part thereof only when the liability is settled, cancelled or ceases.

222. Upon disposal of a liability or a part thereof, a result of the transaction (profit or loss), where applicable, shall be presented in the income statement in the item of other activities. Upon termination of a liability or a part thereof in any other manner the result shall be shown in that item of the income statement – cost of sales, operating expenses, or other activities – which is chosen depending on the type of the liability.

223. If a creditor has exempted a guarantor from an obligation to pay, but the guarantor has to assume the obligation again because the initial debtor has failed to meet its obligations, the guarantor shall recognise a new financial liability equal to the remeasured payable amount of the guarantee..

XVI. RECOGNITION OF INCOME AND EXPENSES

224. On the basis of the accrual principle, income shall be recorded when it is earned irrespective of the time of the receipt of cash.

225. Only increase in economic benefits of the entity shall be recognised as income. Amounts collected on behalf of third parties and value added tax shall not be recognised in income because these amounts are not economic benefits received by the entity and they do not increase equity.

226. Earned income shall exclude sales discounts received or receivable by buyers.

227. As settlements are usually effected in cash, sales revenue may be measured only at the amount of cash received or receivable for the specified good or service (less value added tax).

228. Revenue from sales of goods or rendering of services shall be recognised, recorded in accounting and presented in financial statements when goods are sold or services are rendered, and when the amount of revenue can be reliably measured.

229. Goods shall be treated as sold when risks related to sold goods and benefits related to the ownership of goods are transferred by the selling entity. Such entity ceases possessing and controlling sold goods, and it is likely that economic benefits related to the sale transaction will be generated and the amount of benefits and expenses of such transaction can be reliably measured.

230. Services shall be treated as rendered when the transaction of rendering services is completed or when the degree of its completion and its result before the balance sheet date can be reliably measured and it is likely that economic benefits related to the service transaction will be generated and the amount of expenses of such transaction can be reliably measured.

231. When it is impossible to reliably measure a service transaction, the amount equal to the costs expected to be recovered shall be recognised as revenue. Profit shall not be recorded. If a reliable measurement of the transaction is impossible and there is no possibility to recover incurred

costs, they shall be recognised as expenses. In this case expenses shall not be recorded. When the reasons which prevented from a reliable measurement of the transaction cease, revenue shall be recognised in accordance with the provisions of paragraph 230.

232. Income and expenses related to the same transaction shall be recognised during the same reporting period. Expenses shall be recognised when they generate respective income. Nevertheless, income shall not be recognised if a reliable measurement of expenses is impossible. In such circumstances all amounts received for sold goods shall be recognised as liabilities or deferred income.

233. Income from other activities shall comprise profit on disposal of non-current and current financial assets, interest receivable during the reporting period on cash held in credit institutions, positive effects of exchange rate fluctuations, fines, interest on overdue payments related to amounts receivable and other debts.

234. Fines and interest on overdue payments, if their amount and procedure of payment are provided for in the purchase-sale agreement, shall be recognised in accounting as income from other activities at the time when reliable evidence is obtained confirming that they will be paid or when they are actually paid.

235. In accounting expenses shall be recorded on the basis of accrual and comparability principles during that reporting period when income related to such expenses is earned irrespective of the time of spending cash.

236. Only that part of costs of the previous and current reporting periods which is related to income earned during the current reporting period shall be recorded as expenses. Costs that are not related to earning income of the reporting period but intended for earning income in future reporting periods shall be recorded in accounting and presented in financial statements as assets. Part of assets intended for earning income of future reporting periods shall be attributed to expenses of those reporting periods.

237. If the use of certain assets will allow generating revenues during several future reporting periods and as a result the link between income and expenses can be identified only approximately, in accounting these expenses shall be recognised on the basis of indirect recognition methods (for example, depreciation and amortisation of non-current assets).

238. If it is impossible to directly relate costs incurred during the reporting period to the earning of particular income and they will not to generate revenue, they shall be recognised as expenses during the same reporting period when they were incurred.

239. As settlements are usually effected in cash, the amount of expenses shall be measured at the paid or payable amount of cash (excluding recoverable value added tax). Incurred expenses shall be reduced by discounts received during the reporting period.

240. The cost of sales shall comprise the costs of rendering services, cost of resold goods and sold finished goods. It shall include only that part of costs incurred during the current and previous reporting periods, which is related to services rendered, goods and products sold during the reporting period.

241. Costs of rendering services shall include raw materials, components and other current assets used up in the course of rendering services, labour expenses, depreciation (amortisation) expenses of non-current assets used in rendering services, cost of services provided by third parties and similar costs.

242. The cost of sold goods (cost of resold goods) shall be measured on the basis of the same calculation and pricing methods which apply to accounting for the inventories (finished goods and goods held for resale).

243. Costs of transportation and storage of goods as well as other costs may be recognised as expenses (cost of sold goods) during the same period in which were incurred if their amounts are insignificant.

244. Operating expenses shall reflect costs incurred during the reporting period which are related to operating activities of the entity and which create conditions for earning revenue of the

reporting period. Operating expenses may be divided into selling, general and administrative expenses.

245. Operating expenses shall be recognised, recorded in accounting and presented in financial statements during the same reporting period in which they were incurred.

246. Operating expenses shall include selling costs, salaries and social insurance of administrative and service staff of the entity and its branches, depreciation (amortisation) of non-current assets, maintenance of premises, rent, insurance, entity's representation costs, different taxes related to operating activities (real estate, unrecoverable and non-deductible value added tax) other than income tax, penalties for wrong implementation of agreements or inadequate quality of output, indemnification of damage, write-off of assets, doubtful debts and other costs related to operating activities of the entity incurred during the reporting period.

247. Support granted by the entity in the form of cash, goods or services shall also be included in operating expenses of the entity. Support granted in the form of goods and (or) services shall be stated at acquisition cost of goods and (or) services.

248. Losses from disposal of non-current and current financial assets, negative effects of exchange rate fluctuations, interest due of the reporting period, fines, interest on overdue payments and costs not related to operating activities of the entity shall be attributed to expenses for other activities.

249. Income tax expenses of the reporting period shall be presented in the item of "Income tax" of the income statement.

XVII. ACCOUNTING FOR FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE RATE DIFFERENCES

250. A foreign currency transaction is a transaction whereas payable and receivable amounts are expressed in a currency, other than the reporting currency. Examples of such transactions may be:

250.1. purchase-sale of goods, services and other assets which are settled or undertaken to be settled in a foreign currency;

250.2. loans taken, granted and repaid in a foreign currency;

250.3. assets acquired or disposed in any other manner, financial obligations assumed and their settlement in a foreign currency.

251. At the time of initial recognition foreign currency transactions shall be measured and recorded in accounting in the reporting currency at the exchange rate on the transaction day. In exceptional cases when exchange rate fluctuations are insignificant and when measuring each transaction separately at the exchange rate of the transaction day is impracticable, the average weekly or monthly currency exchange rate may be applied.

252. Business trip costs incurred in a foreign currency shall be translated into the reporting currency according to the exchange rate applicable on the day of leaving on the business-trip.

253. When preparing financial statements, currency items in the balance sheet shall be measured at the exchange rate applicable at the reporting date.

254. Assets purchased for foreign currency and carried at acquisition cost in the balance sheet shall be translated into the reporting currency at the exchange rate applicable at the initial recognition (on the day of transaction).

255. Differences resulting from restatement of currency items due to changes in exchange rates and arising from the performance of currency transactions or from restatement of currency items previously recorded at the exchange rate of the balance sheet date shall be recognised as income or expenses of the reporting period during which they were incurred.

256. If currency debts are settled in the reporting period, other than the reporting period of the initial recognition, the exchange rate difference shall be calculated as from the reporting date of the previous financial statements.

257. The item of other activities of the income statement shall present the results of exchange rate differences (profit or loss from exchange rate fluctuations).

XVIII. FINAL PROVISIONS

258. Upon the first-time application of this Standard the disclosure of comparative information for the previous financial year shall not be compulsory.

259. Those entities whose balance sheets include not fully amortised formation costs or other costs which previously were attributed to intangible assets but which do not meet the recognition criteria of intangible assets specified in this Standard shall have to write off the amounts included in the item of formation costs upon the first-time application of this Standard

260. Those entities which used to measure acquisition (production) cost of non-current tangible assets in the manner other than that established in this Standard shall have to apply the provisions of this Standard related to the acquisition (production) cost of assets only to new assets acquired during the current and subsequent reporting periods. Adjustment of acquisition (production) cost of the previously acquired assets shall not be required.

261. This Standard shall be effective for financial statements covering reporting periods beginning on or after 1 January 2006. The Standard may also be applied for preparing the financial statements for 2005.

Annex 1
to 36 Business Accounting Standard
“Record Keeping and Financial
Reporting of Unlimited Civil Liability
Legal Persons”

(Standard Form of Balance Sheet)

____
(entity name)

____
(entity identification number, address, other information)

APPROVED
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BALANCE SHEET

…… ……….........
(reporting date)

__________________________________ __________________________________
(reporting period) (reporting currency, specify degree of accuracy)

	ASSETS	Comment No.	Financial year	Previous financial year
A.	**NON-CURRENT ASSETS**			
I.	INTANGIBLE ASSETS			
II.	TANGIBLE ASSETS			
II.1.	Land			
II.2.	Buildings and construction			
II.3.	Plant and machinery			
II.4.	Vehicles			
II.5.	Equipment			
II.6.	Construction in progress			
II.7.	Other tangible assets			
III.	FINANCIAL ASSETS			
IV.	OTHER NON-CURRENT ASSETS			
B.	**CURRENT ASSETS**			
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS			
I.1.	Inventories			
I.2.	Prepayments and contracts in progress			
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR			
II.1.	Trade debtors			
II.2.	Other amounts receivable			
III.	OTHER CURRENT ASSETS			
IV.	CASH AND CASH EQUIVALENTS			
	TOTAL ASSETS:			

	EQUITY AND LIABILITIES	Comment No.	Financial year	Previous financial year
C.	**EQUITY**			
I.	OWNERS’ CONTRIBUTIONS			
II.	RETAINED EARNINGS (LOSSES)			
D.	**GRANTS AND SUBSIDIES**			
E.	**LIABILITIES**			
I.	NON-CURRENT LIABILITIES			
I.1.	Financial debts			
I.2.	Trade amounts payable			
I.3.	Other non-current liabilities			
II.	CURRENT LIABILITIES			
II.1.	Current portion of long-term debts			
II.2.	Financial debts			
II.3.	Trade amounts payable			
II.4.	Other current liabilities			
	TOTAL EQUITY AND LIABILITIES			

(title of the head of entity) (signature) (name, surname)

Annex 2
to 36 Business Accounting Standard
“Record Keeping and Financial
Reporting of Unlimited Civil Liability
Legal Persons”

(Standard Form of Income Statement)

(entity name)

(entity identification number, address, other information)

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INCOME STATEMENT

…… ………….........
(reporting date)

(reporting period)

(reporting currency, specify degree of accuracy)

No.	Items	Comment No.	Financial year	Previous financial year
I.	**SALES REVENUE**			
II.	**COST OF SALES**			
III.	**GROSS PROFIT (LOSS)**			
IV.	**OPERATING EXPENSES**			
V.	**OPERATING PROFIT (LOSS)**			
VI.	**OTHER ACTIVITIES**			
VII.	**PROFIT (LOSS) BEFORE TAX**			
VIII.	**INCOME TAX**			
IX.	**STATE SOCIAL INSURANCE CONTRIBUTIONS FOR SUPPLEMENTARY PENSION COMPONENT**			
X.	**NET PROFIT (LOSS)**			

(title of the head of entity) (signature) (name, surname)

Annex 3
to 36 Business Accounting Standard
“Record Keeping and Financial
Reporting of Unlimited Civil Liability
Legal Persons”

(Standard Form of Statement on Changes in Equity)

____
(entity name)

____
(entity identification number, address, other information)

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STATEMENT OF CHANGES IN EQUITY

…… ……………........
(reporting date)

______________________ (reporting period)

______________________ (reporting currency, specify degree of accuracy)

	Owners‘ contributions	Retained earnings (losses)	Total
1. Balance at the beginning of the previous reporting period			
2. Net profit / loss of the reporting period			
3. Increase / decrease in the owners‘ contributions			
4. Other payments to owners			
5. Balance at the end of the previous reporting period			
6. Net profit / loss of the reporting period			
7. Increase / decrease in the owners‘ contributions			
8. Other payments to owners			
9. Balance at the end of the current reporting period			

__________________ (title of the head of entity) __________ (signature) ________________ (name, surname)