

APPROVED

By Order No. VAS-22 of 28 March 2014 of the Director of the Authority of Audit and Accounting of the Republic of Lithuania

40 BUSINESS ACCOUNTING STANDARD “ADOPTION OF THE EURO”

I. GENERAL PROVISIONS

1. The objective of this Standard is to implement the Law on the Adoption of the Euro in Lithuania of the Republic of Lithuania and the National Changeover Plan approved by Resolution No. 604 of the Government of the Republic of Lithuania On the Approval of the National Changeover Plan and Increasing Awareness of the Public of Lithuania on the Adoption of the Euro as well as Approval of the Communication Strategy of 26 June 2013 (hereinafter referred to as the National Changeover Plan) and, upon the adoption of the euro in the Republic of Lithuania, to set for companies subject to the application of business accounting standards the requirements for the accounting for conversion of values denominated in litas to values denominated in euros, managing accounts during the dual circulation period of the litas and euro and presenting related information in financial statements.

2. This Standard shall apply to the conversion of accounting data denominated in litas to accounting data denominated in euros for drawing up financial statements for the reporting period ending on the euro adoption date or afterwards and for converting comparative information of such financial statements, recording economic transactions and events in accounting during the dual circulation period, recognizing expenses in relation to the preparation for changeover or the adoption of the euro and for the dissemination of information related to the adoption thereof.

3. This Standard shall not apply to financial statements drawn up for reporting periods ending before the adoption of the euro.

4. Definitions used in this Standard shall have the same meaning as definitions used in other business accounting standards, Law on Accounting of the Republic of Lithuania, Law on Financial Statements of Entities of the Republic of Lithuania, Law on the Adoption of the Euro in Lithuania of the Republic of Lithuania and the National Euro Changeover Plan.

5. As from the euro adoption date established in the Decision of the Council to abrogate the derogation applicable to the Republic of Lithuania under part 2 of Article 140 of the Treaty on the Functioning of the European Union, when the Republic of Lithuania meets all conditions necessary for the adoption of the euro, all references to the litas made in accounting documents and records shall be considered references to the euro, while sums in litas shall be converted into the euro by applying the conversion rate between the euro and the litas irrevocably fixed under part 3 of Article 140 of the Treaty on the Functioning of the European Union (hereinafter referred to as the conversion rate).

II. CONVERSION OF ACCOUNTING DATA DENOMINATED IN LITAS INTO THE EURO

6. Until the euro adoption date, the currency of companies of the Republic of Lithuania used for recording economic transactions and events as well as for reflecting company-related transactions, events and circumstances shall be litas and, if necessary, - both litas and a foreign currency.

7. As from the euro adoption date, the currency of companies of the Republic of Lithuania used for economic transactions and events shall be the euro, and, if necessary, - both the euro and a foreign currency. The euro shall be used for managing company accounting as from the euro adoption date, i.e. company accounting data denominated in litas shall be converted into the euro, economic transactions and events shall be recorded in accounting in euros, and, if necessary, - in both euros and a foreign currency, regardless of the currency of an economic transaction.

8. Upon the adoption of the euro, companies shall convert accounting data present at the end of the day before the euro adoption date denominated in litas into the euro, and record the results in accounts as at the euro adoption date.

9. All account balances and, if the beginning of a company's financial year does not match the euro adoption date, also income and expenses, shall be recalculated. When converting account balances, amounts constituting each account balance and, if necessary, also the related analytical accounts, shall be converted. For example, when converting the amount of salary payable account, amounts payable to each employee shall be converted, while when converting the amount of trade receivables account, amounts receivable from each customer shall be recalculated, etc.

10. Company accounting data present at the end of the day preceding the euro adoption date denominated in litas shall be converted into the euro by applying a conversion rate.

11. The conversion rate is set for denominating one euro in litas and cents, thus the inverse rate (for denominating one litas in euros) may not be used. In making conversions, the conversion rate cannot be rounded or truncated. It shall be used both in converting the litas into the euro (dividing by the rate) and in converting the euro into the litas (multiplying by the rate).

12. In the conversion of company accounting documents present at the end of the day preceding the euro adoption date denominated in litas into the euro, amounts shall be rounded to the nearest euro cent by applying arithmetic rounding rules, except for authorised capital in the conversion of which into the euro requirements of laws governing the procedure for converting nominal value of authorised capital and securities denominated in litas into the euro shall apply:

12.1. if the digit 5 or more follows the rounding digit, the latter is rounded up one digit.

12.2. if the digit 5 or less follows the rounding digit, it remains the same.

13. Differences occurring after the conversion of balances in assets and liabilities, income and expenses denominated in litas into the euro-denominated balances in assets and liabilities, income and expenses shall be recognized as income or expenses of financing or investing activities of the reporting period. The conversion result - profit or loss - shall be reflected in profit (loss) statement of the reporting period under financing and investing activities.

14. If currency accounts are denominated in euros, the data thereof shall remain the same. If currency accounts are denominated in a foreign currency other than the euro, they shall first of all

be converted into the litas by applying an exchange rate effective on the day preceding the euro adoption date, and only then they shall be converted into the euro applying the conversion rate.

15. If the conversion rate is different from the euro and litas exchange rate, which was applicable before the euro adoption date, then data on cash amounts in euros, assets and liabilities accounts, under which a fixed or clearly set amount in euros will be received or paid, shall remain unchanged. The conversion result of such accounting data denominated in litas - profit or loss - shall be reflected in profit (loss) statement of the reporting period under financing and investing activities.

16. Differences occurring in the conversion of owner's equity accounts denominated in litas into the euro, except for the reporting period result and authorised capital, shall be recorded in accounting by increasing (decreasing) retained earnings or decreasing (increasing) retained losses, and shall be reflected in financial statements as profit (loss) unrecognized in the profit (loss) statement. Difference in authorised capital in litas and euros occurring in the conversion of authorized capital denominated in litas into the euro shall be recorded in accounting following the provisions of a law governing the procedure for the conversion of denomination of nominal value of authorised capital and securities of public limited liability companies and private limited liability companies into the euro as well as amendment of their bylaws.

17. Liabilities related to the increase (decrease) of authorised (nominal) capital, if the decision to increase (decrease) the authorized (nominal) capital has already been made, but the increase (decrease) of the authorized capital has not yet been recorded, shall be converted into the euro on the euro adoption date in the same procedure as the data of owner's equity accounts. Differences resulting from the conversion of such liabilities shall be recorded in accounting by increasing (decreasing) retained earnings or decreasing (increasing) retained losses, and reflected in financial statements as profit (loss) unrecognized in the profit (loss) statement.

III. PREPARATION OF FINANCIAL STATEMENTS AND CONVERSION OF COMPARATIVE INFORMATION DENOMINATED IN LITAS INTO THE EURO

18. Financial statements, the reporting periods of which end before the euro adoption date, shall be drawn up in litas regardless of their submission date.

19. Financial statements the last date of the reporting period of which is the euro adoption date or later shall be drawn up in euros.

20. In the preparation of financial statements for the reporting period ending on the euro adoption date or later on in euros, companies shall convert comparative information for the previous reporting period denominated in litas into the euro by applying the conversion rate, and round them up to the whole euro in accordance with rounding rules indicated in paragraph 12 hereof. Differences resulting from the conversion of comparative information for the previous reporting period into the euro shall be reflected by revising retained profit (loss) balance of the previous reporting period.

IV. RECORD KEEPING DURING THE DUAL CIRCULATION PERIOD OF THE EURO AND LITAS

21. During the dual circulation period, when settlements in euro and litas banknotes and coins shall be permitted, from the euro adoption date until the established date, as of which the euro shall become the sole mandatory payment tool regardless of the currency (euro or litas) of a transaction, it shall be recorded in euros. In the conversion of the litas to the euro and the euro to the litas during the dual circulation period, the conversion rate shall apply. Cash amounts paid or received in litas shall be converted into the euro and rounded up to a euro cent applying rounding rules indicated in paragraph 12 hereof.

22. Differences occurring in the conversion of amounts recorded in accounting in euros and paid in litas shall be recognized as income or expenses of financing and investing activities. The conversion result - profit or loss - shall be reflected under financing and investing activity accounts in the profit (loss) statement for the reporting period.

V. EXPENSES OF THE CHANGEOVER

23. Expenses related to the preparation for the adoption of the euro and the changeover, for example, reorganization of payment systems, dual display of prices in litas and euros, etc., shall be recognized as operating expenses of the reporting period in which they were incurred, if they match the definition of expenses and their value can be reliably determined, and if they are not related to the receipt of economic benefit in future reporting periods.

24. If expenses provided for in paragraph 23 hereof match the definition and characteristics of assets set forth in a respective business accounting standard, and they are related to the obtainment of economic benefits in future reporting periods, they shall be recognized as assets.

VI. PRESENTATION OF INFORMATION IN THE EXPLANATORY NOTES AND CONDENSED EXPLANATORY NOTES TO FINANCIAL STATEMENTS

25. The following information for the current financial year and at least one previous financial year shall be disclosed in explanatory notes or condensed explanatory notes to financial statements drawn up for the reporting period ending immediately after the euro adoption date and at least one reporting period following it:

25.1. the fact of the changeover in financial statements;

25.2. amount of differences resulting from the conversion of accounting data into the euro recognized as income or expense of financing and investing activities of the reporting period;

25.3. amount of differences occurring in the conversion of accounting data into the euro reflecting in the owner's equity part;

25.4. the fact of the adoption of a decision to increase (decrease) authorised (nominal) capital due to the change of the nominal share value (elements of the nominal capital), if such a decision has already been adopted by the General Meeting of Shareholders, but amended bylaws have not yet been registered, as well as the change of the nominal value of shares (elements of nominal capital);

25.5. other relevant information.
