

Changes in Accounting Legislation as of 31 December 2014 and 1 January 2015

Decree of the Slovak Finance Ministry No. 4455/2003-92 on Financial Statements of Entrepreneurs (hereafter referred to as the "Decree on Financial Statements of Entrepreneurs") was amended on 24 September 2014. Changes have primarily been made to the structure of the balance sheet and income statement (there are new forms for them) and the content of information in the notes to financial statements. These changes will enter into force on 31 December 2014. This means that they will influence financial statements as of 31 December 2014.

Based on Act No. 333/2014 Coll. of 30 October 2014, Act No. 431/2002 Coll. on Accounting (hereafter referred to as the "Act on Accounting") has been amended as well. These changes will enter into force on 1 January 2015. This means that they will have no impact on financial statements as of 31 December 2014.

Most of these changes were made on the basis of the Slovak Republic's obligation to implement Directive No. 2013/34/EU on individual and consolidated financial statements.

Changes in the Decree on Financial Statements of Entrepreneurs (effective from 31 December 2014)

Description	Previous legislation	New legislation	Substance of change
Structure of the balance sheet and income statement	The structure of the balance sheet and income statement is prescribed.	The structure of the balance sheet and income statement continues to be prescribed, but it is new.	The structure of the balance sheet and income statement has been changed. There are new forms.
Presentation of own shares and own ownership interests	Own shares and own ownership interests should be presented on the liability side of the balance sheet as part of equity; it is an item that reduces share capital (with a minus sign).	Own shares and own ownership interests should be presented on the asset side of the balance sheet as current financial assets (with a plus sign).	Own shares and own ownership interests have been transferred from the liability side to the asset side. In this context, please note the following provision of the Commercial Code: If a company has included its own shares in its assets and accounts for (the correct term should be "presents") these own shares on the asset side of the balance sheet, it must create a special reserve fund in the same amount, which may be reduced or cancelled only if all the own shares or part thereof are transferred to another

			<p>entity or if share capital is reduced by withdrawing all the own shares or part thereof from circulation (Article 161d (1) of the Commercial Code). The purpose of the special reserve fund (which forms part of the company's own resources, equity) referred to in this provision is to prevent equity from being distributed among shareholders. Own resources (equity) will be included in this special reserve fund on the liability side in the same amount as own shares on the asset side, which means that these own resources cannot be paid out to shareholders.</p> <p>This provision of the Commercial Code only applies to joint stock companies. It does not refer to other companies.</p>
Equity	<p>Equity has a prescribed structure. In this structure, resources coming to a company from the outside, from shareholders are not quite correctly distinguished from resources generated by the company. For example, amounts presented in accounts 414 – <i>Differences from revaluation of assets and liabilities</i>, 415 – <i>Investment revaluation reserves</i>, and 416 – <i>Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger</i> have been generated by the company but are presented as part of "Capital funds", i.e., as if they had come to the company from the outside, from shareholders.</p>	<p>Equity continues to have a prescribed structure. It has been changed.</p>	<p>The structure of equity has been changed in order to correctly distinguish between resources coming to the company from the outside, from shareholders and resources generated by the company.</p> <p>The new structure includes, among other things, a reserve fund for own shares (see above).</p>

<p>Affiliated accounting entities, participating interest</p>	<p>These terms are not used.</p>	<p>Article 2 (8) of the Decree on Financial Statements of Entrepreneurs</p> <p>The term "participating interest" has been defined as the existence of a minimum of 20 percent of voting rights in another accounting entity. This means a participating interest of 20% (inclusive) or more, up to 100%.</p> <p>"Affiliated accounting entities" are defined as accounting entities within a group, with the group being formed by parent, subsidiary, and sister accounting entities at all hierarchical levels. This means that it includes not only the immediate parent accounting entity of the reporting accounting entity, but also all parent accounting entities above it, all the way to the ultimate parent. In addition, this means that it includes not only the immediate subsidiary accounting entity of the reporting accounting entity, but also all subsidiary accounting entities below it (sub-subsidiaries, subsidiaries of sub-subsidiaries etc.). The group does not include joint ventures and associated companies.</p> <p>In addition, an "associated accounting entity" has been defined as an accounting entity in which another accounting entity has a participating interest and over which that</p>	<p>New terms have been defined on the basis of the Directive:</p> <ul style="list-style-type: none"> - affiliated accounting entities (Directive: affiliated undertakings), - participating interest (Directive: participating interests), - associated accounting entity (Directive: associated undertaking). <p>In practice, the most frequent cases of a subsidiary accounting entity are where another accounting entity holds an absolute majority of voting rights (51-100 percent) in that accounting entity.</p> <p>With a certain dose of simplification, it could therefore be stated that subsidiaries (51-100 percent) are a subset of a participating interest (20-100 percent).</p> <p>The Decree does not refer to the definition of an associated accounting entity any further.</p>
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		other accounting entity exercises a significant influence according to Article 27 (1) (a) of the Act.	
Presentation of non-current financial assets, receivables and liabilities, and certain expenses and income (income from securities and ownership interests, income from current financial assets, interest expenses, interest income)	Presentation is made according to various criteria. For example, in the case of receivables and liabilities, presentation according to whether these are trade receivables and trade liabilities takes precedence over presentation according to whether they are related to affiliated accounting entities or a participating interest.	Precedence is given to presentation according to whether it concerns: <ul style="list-style-type: none"> - affiliated accounting entities, - a participating interest, except for affiliated accounting entities, - other accounting entities. 	As the change in the presentation of these items could cause complications to many accounting entities (for example, not all accounting entities have their sub-accounts adjusted to this new classification), transitional provisions allow for certain simplifications in financial statements as of 31 December 2014 . In certain cases, they: <ul style="list-style-type: none"> - require that nothing be presented on new lines, (the term "shall be presented" is used, which means that an accounting entity cannot make a decision for itself), - make it possible for balances to be presented on new lines according to the new classification, which is up to the accounting entity to decide (the term "no information needs to be presented" is used, which means that an accounting entity may make a decision for itself). See the Transitional Provisions, Article 4bg of the Decree on Financial Statements of Entrepreneurs.
Extraordinary expenses, extraordinary income	Extraordinary expenses and extraordinary income should be presented as separate items in the income statement .	Items of extraordinary expenses and extraordinary income in the income statement have been cancelled .	No expenses and income are now called "extraordinary."

	<p>Extraordinary expenses (account group 58) are unusual expenses related to the accounting entity's ordinary activities, as well as extraordinary events that occur rarely. They include, for example, damage resulting from a natural disaster and expenses related to the assignment or discontinuance of the accounting entity's operations or part thereof (Article 72 of the Accounting Procedures for Entrepreneurs).</p> <p>Extraordinary income (account group 68) is unusual income related to the accounting entity's ordinary activities, as well as extraordinary events that occur rarely. It includes, for example, income related to the assignment or discontinuance of the accounting entity's operations or part thereof (Article 82 of the Accounting Procedures for Entrepreneurs).</p> <p>It is required that the notes to financial statements include their description and amount (Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part (H) (f) and Part I (d)).</p>	<p>It is required that the notes to financial statements contain a description and the amount of:</p> <ul style="list-style-type: none"> - expenses of exceptional size or incidence, - income of exceptional size or incidence, <p>see the Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part H (f) and Part I (d).</p>	<p>It is instead required that the notes to financial statements contain a description and the amount of expenses and income of exceptional size or incidence (Directive: exceptional size or incidence).</p> <p>According to the transitional provisions, in the column "Preceding accounting period" of the income statement as of 31 December 2014, extraordinary expenses should be presented on line 26 "Other operating expenses" and extraordinary income should be presented on line 09 "Other operating income" (Article 4bg (5) of the Decree on Financial Statements of Entrepreneurs).</p>
<p>Information on own shares in the notes to financial statements</p>	<p>Various information on own shares is required in several places in the notes to financial statements.</p>	<p>Required information on own shares is concentrated in one place in the notes to financial statements. It is now required to present certain information that has not been required up until now (Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part F (zb)).</p>	<p>Information on own shares has been transferred and new information has been added.</p>

<p>Information on related parties in the notes to financial statements</p>	<p>Information on transactions with related parties is required only if they have not been concluded under normal market conditions (Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part N (a)).</p> <p>The term "normal market conditions" is not defined.</p> <p>From 31 December 2013, small accounting entities do not have to (= optional) present any information on transactions with related parties in the notes to financial statements (Article 3 (4) of the Decree on Financial Statements of Entrepreneurs).</p>	<p>Information on transactions with related parties is required to be presented at all times, and not only if they have not been concluded under normal market conditions (Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part N (a)).</p> <p>An exemption continues to apply to small accounting entities – they do not have to (=optional) present any information on transactions with related parties in the notes to financial statements (Article 3 (4) of the Decree on Financial Statements of Entrepreneurs).</p>	<p>Information on all transactions is required.</p> <p>There is no difference as to whether or not transactions have been concluded under normal market conditions.</p>
<p>Overview of changes in equity</p>	<p>An overview of changes in equity during an accounting period (the balance at the beginning of the accounting period, increases, decreases, transfers, and the balance at the end of the accounting period) is required in the form of a table (Decree on Financial Statements of Entrepreneurs, Appendix No. 3, Part P and Appendix No. 3a, Article 37).</p>	<p>This overview is not required in the form of a table (Decree on Financial Statements of Entrepreneurs – Article 37 of Appendix No. 3a has been repealed).</p>	<p>This overview is not required in the form of a table; it may be presented in the form of a description, depending on the decision of the accounting entity.</p>

Changes in the Act on Accounting (effective from 1 January 2015)

Description	Previous legislation	New legislation	Substance of change
Classification of accounting entities into micro-, small, and large accounting entities	<p>From 1 January 2014, the definition of a micro-accounting entity has been introduced; only a company, a cooperative, a certain sole trader, and a land association can be a micro-accounting entity (Article 2 (5) of the Act on Accounting).</p> <p>An accounting entity referred to in Article 17a, i.e., an accounting entity that must (= obligatory) or may (= optional) prepare its individual financial statements according to the IFRS as adopted by the EU (Article 2 (7) of the Act on Accounting) cannot be a micro-accounting entity.</p> <p>From 31 December 2013, the definition of a small accounting entity has been introduced (Article 3 (4) of the Decree on Financial Statements of Entrepreneurs), whereas the Decree does not refer to the term "small," but only describes it indirectly. Small accounting entities do not have to (=optional) present certain information in the notes to financial statements – information on income of members of its bodies and related parties. This does not apply to issuers of securities that were permitted to be traded on a regulated market in the EU or the EEC.</p>	<p>The Act on Accounting (Article 2 (5) to (8)) defines three groups of accounting entities, referring to them as "size groups":</p> <ul style="list-style-type: none"> - a micro-accounting entity, - a small accounting entity, - a large accounting entity. <p>This classification continues to apply only to a company, a cooperative, a certain sole trader, and a land association (Article 2 (5) of the Act on Accounting). It does not apply to other accounting entities.</p> <p>This classification does not apply to an accounting entity (Article 2 (13) of the Act on Accounting):</p> <ul style="list-style-type: none"> - referred to in Article 17a, i.e., an accounting entity that must (= obligatory) or may (=optional) prepare its individual financial statements according to the IFRS as adopted by the EU, - referred to in Article 17b, i.e., the National Bank of Slovakia, - which is a public-interest entity (a public-interest entity is defined in Article 2 (14) of the Act on Accounting; see below). 	<p>Prior to the amendment, only micro-accounting entities and small accounting entities were defined, with micro-accounting entities being defined directly in the Act and small accounting entities in the Decree on Financial Statements of Entrepreneurs.</p> <p>Following the amendment, not only micro-accounting entities and small accounting entities, but also large accounting entities, are defined, the latter being defined directly in the Act.</p> <p>These size groups are based on Directive No. 2013/34/EU on individual financial statements and consolidated financial statements with the aim of simplifying the accounting regulations for micro-accounting entities and small accounting entities. The regulations for large accounting entities will not be simplified.</p> <p>Accounting entities referred to in Articles 17a and 17b and public-interest entities will always be treated as large accounting entities, because the regulations will not be simplified for them, and anyway some of them prepare their</p>

			<p>financial statements according to accounting legislation other than Slovak regulations.</p> <p>The Directive also refers to another size group – medium-sized accounting entities, which is a group between small and large accounting entities. The Slovak Republic has not implemented this category.</p> <p>There is also a new definition of a public-interest entity; until now, it has only been defined in the Act on Auditors (Article 2 (14) of Act No. 540/2007 Coll. on Auditors).</p>
<p>Criteria of size for micro-, small and large accounting entities - content</p>	<p>Micro-accounting entities</p> <p>There are three criteria of size (Article 2 (5) of the Act on Accounting):</p> <ul style="list-style-type: none"> - net turnover, - gross assets, i.e., before deducting accumulated depreciation/amortization and value adjustments, - the average number of employees during the accounting period. <p>Net turnover is defined as income from the sale of products, merchandise, services provided, and other income related to ordinary activities of the accounting entity after deducting discounts.</p>	<p>There are three criteria of size, and their content is the same for all three size groups of accounting entities (Article 2 (6) to (9) of the Act on Accounting):</p> <ul style="list-style-type: none"> - net turnover, - net assets, i.e., after deducting accumulated depreciation /amortization and value adjustments, - the average number of employees during the accounting period. <p>Net turnover is defined as income from the sale of products, merchandise and services after deducting discounts. Net turnover also includes other income, after deducting discounts, in an accounting entity whose scope of activities includes generating income other than income from the sale of products,</p>	<p>The content of the "assets" criterion (the Act refers to "total assets") has been changed with respect to micro-accounting entities. "Net" assets are now applicable instead of "gross" assets.</p> <p>The content of the "net turnover" criterion has been changed as well.</p> <p>Prior to the amendment to the Act, net turnover included all income, except for extraordinary income, i.e., total income in account groups 60 to 67, because all this income was referred to as income from ordinary activities (see the Income Statement form, as well as Article 9 (7) of the Accounting Procedures for Entrepreneurs).</p>

	<p>Small accounting entities The Decree on Financial Statements of Entrepreneurs stipulates the following criteria of size (Article 3 (4)) in connection with small accounting entities:</p> <ul style="list-style-type: none"> - net turnover, - net assets, i.e., after deducting accumulated depreciation/amortization and value adjustments,, - the average number of employees during the accounting period. <p>Net turnover is defined in the same way as in the case of micro-accounting entities.</p> <p>Assets – in contrast to micro-accounting entities, where gross assets are referred to, net assets are applicable to small accounting entities.</p>	<p>merchandise and services (Article 2 (15) of the Act on Accounting).</p> <p>Assets should be understood as the amount determined from the balance sheet after adjustments by items specified in Article 26 (3), i.e., accumulated depreciation/amortization and value adjustments (Article 2 (9) of the Act on Accounting). This means that net assets, rather than gross assets, are applicable.</p>	<p>Following the amendment, net turnover includes:</p> <ul style="list-style-type: none"> - income in account group 60 – <i>Revenue from own work and merchandise</i>, - other income generated by the accounting entity from activities within its scope of business. <p>The Explanatory Report on the amendment to the Act states the following in this regard: The determination of net turnover derives from the actual scope of business of an accounting entity, and net turnover includes income generated by the accounting entity from activities that represent its scope of business. Net turnover does not include income generated by the accounting entity from the sale of surplus assets and so forth.</p> <p>The content of the third criterion – "number of employees" remains unchanged.</p>
<p>Criteria of size for micro-, small and large accounting entities - amount</p>	<p>Micro-accounting entities</p> <p>Article 2 (5) of the Act on Accounting</p> <p>A company, a cooperative, certain sole traders, and a land association are considered micro-accounting entities if:</p> <ol style="list-style-type: none"> a) they decide to proceed as a micro-accounting entity with respect to the accounting period during which they were incorporated, or 	<p>Micro-accounting entities</p> <p>Article 2 (6) of the Act on Accounting</p> <p>An accounting entity that meets at least two of the following conditions shall be included in the size group of micro-accounting entities:</p> <ol style="list-style-type: none"> a) its total assets did not exceed 350,000 euros, b) its net turnover did not exceed 700,000 euros, 	<p>Micro-accounting entities</p> <p>The amounts of the criteria of size remain the same – assets in the amount of 350,000 euros, net turnover in the amount of 700,000 euros, and 10 employees.</p> <p>Please note that the amounts of the size criteria "assets" and "net turnover" have not changed, but their content has changed (see above).</p>

- b) as of the balance sheet date and for the preceding accounting period, they did not exceed two of the following conditions:
 - their total assets did not exceed 350,000 euros,
 - their net turnover did not exceed 700,000 euros,
 - their average number of employees did not exceed 10, or
- c) they exceeded two of the conditions referred to in (b) only in one of two successive accounting periods and were considered a micro-accounting entity in the first of these two accounting periods according to (a) and (b).

- c) its average number of employees did not exceed 10 during the accounting period.

Article 2 (6) of the Act on Accounting

An accounting entity that meets the conditions referred to in paragraph 5 (b) and (c) shall become a micro-accounting entity if it so decides; this accounting entity is required to proceed with accounting and reporting as a micro-accounting entity during the period in which it meets the conditions referred to in paragraph 5 (b) and (c).

Small accounting entities

Article 3 (4) of the Decree on Financial Statements of Entrepreneurs

Small accounting entities are not accounting entities that met at least two of the following conditions as of the balance sheet date and for the preceding accounting period:

- a) their total net assets exceeded 4,000,000 euros,
- b) their net turnover exceeded 8,000,000 euros,
- c) their average number of employees exceeded 50 during one accounting period.

Large accounting entities

Large accounting entities are not specifically defined, and the term "large accounting entities" does not exist. However, it can be indirectly inferred that if an accounting entity does not belong in the size group of micro-accounting entities or small accounting entities, it is a large accounting entity.

Small accounting entities

Article 2 (7) of the Act on Accounting

An accounting entity that meets at least two of the following conditions shall be included in the size group of small accounting entities:

- a) its total assets exceeded the amount of 350,000 euros, but did not exceed the amount of 4,000,000 euros,
- b) its net turnover exceeded the amount of 700,000 euros, but did not exceed the amount of 8,000,000 euros,
- c) its average number of employees exceeded 10, but did not exceed 50 during the accounting period.

Large accounting entities

Article 2 (8) of the Act on Accounting

An accounting entity that meets at least two of the following conditions shall be included in the size group of large accounting entities:

- a) its total assets exceeded 4,000,000 euros,
- b) its net turnover exceeded 8,000,000 euros,
- c) its average number of employees exceeded 50 during the accounting period.

Small accounting entities

The amounts of the criteria of size remain the same – assets in the amount of 4,000,000 euros, net turnover in the amount of 8,000,000 euros, and 50 employees.

Please note that the amounts of the size criteria "assets" and "net turnover" have not changed, but their content has changed (see above).

Large accounting entities

In terms of substance, the situation remains the same as prior to the amendment – if an accounting entity does not belong in the size group of micro-accounting entities or small accounting entities, it is a large accounting entity.

<p>Criteria are to be determined with respect to two successive accounting periods</p>	<p>It follows from the above that it should be determined whether the criteria of size have been, or have not been, exceeded for two successive accounting periods.</p>	<p>Article 2 (10) of the Act on Accounting</p> <p>Accounting entities shall be classified into a size group on the basis of the fulfillment of the conditions referred to in Article 2 (6) to (8) (= whether the criteria of size have been, or have not been, exceeded) as of the balance sheet date and for the relevant accounting period, and the accounting entity shall also assess the fulfillment of the conditions for the preceding accounting period.</p> <p>An accounting entity is required to change the classification into another size group from the accounting period following the two successive accounting periods in which it exceeds or ceases to meet the conditions referred to in Article 2 (6) to (8), unless Article 2 (11) and (12) provides otherwise.</p> <p>Article 2 (11) and (12) applies to a newly-incorporated accounting entity and a micro-accounting entity; see below.</p>	<p>The assessment of the criteria of size is regulated in more detail.</p> <p>If the criteria of size are, or are not, exceeded in accounting periods 01 and 02, the classification will only be changed in accounting period 03, rather than in accounting period 02.</p>
<p>Criteria of size in the event of a change in the accounting period</p>	<p>An accounting entity may change its accounting periods, for example, from a calendar year to a financial year or vice versa.</p> <p>For example, an accounting entity changes a calendar year to a financial year lasting from 1 October 20x5 to 30 September 20x6. The last 12-month accounting period before this</p>	<p>Article 2 (10) of the Act on Accounting</p> <p>When assessing the conditions referred to in Article 2 (6) to (8) (=whether the criteria of size have been, or have not been, exceeded), the conditions related to a shorter accounting period shall not be considered.</p>	<p>In the event of a change in the accounting period, the criteria of size related to a shorter accounting period should not be considered.</p>

	<p>transition is the accounting period from 1 January to 31 December 20x4. It will be followed by the accounting period from 1 January to 30 September 20x5, which will only have 9 months, and only then will follow the accounting period that will again have 12 months, namely from 1 October 20x5 to 30 September 20x6. This procedure is regulated in Article 3 (5) of the Act on Accounting.</p> <p>This shorter accounting period (9 months) has an impact on the amount of net turnover, which will be lower than if it had been determined for 12 months. It will have no impact on the amount of assets and the number of employees.</p> <p>When determining the criteria of size, net turnover for the shorter accounting period, i.e., 9 months, should also be considered.</p>		
<p>Newly-incorporated accounting entity</p>	<p>A newly-incorporated accounting entity does not yet have any history or criteria of size, which is why it has nothing to assess.</p> <p>Therefore, it may decide for itself whether or not it will consider itself a micro-accounting entity during the accounting period in which it was incorporated (Article 2 (5) of the Act on Accounting).</p>	<p>Article 2 (11) of the Act on Accounting</p> <p>A newly-incorporated accounting entity shall be classified into a size group on the basis of its own decision and shall also remain in this size group in the following accounting period, and shall not proceed according to Article 2 (12).</p>	<p>It continues to apply that a newly-incorporated accounting entity may decide for itself whether or not it will be a micro-accounting entity.</p>

		<p>Paragraph 12 reads as follows: An accounting entity that meets the conditions for a micro-accounting entity may proceed as a small accounting entity.</p>	
<p>Transitional provisions on the classification into size groups</p>	<p>Not applicable.</p>	<p>Article 39k of the Act on Accounting (Transitional Provisions)</p> <ol style="list-style-type: none"> 1. An accounting entity whose accounting period is a calendar year shall proceed according to Article 2 (5) to (14) in the wording effective from 1 January 2015 for the first time from 1 January 2015 and shall assess the fulfillment of the conditions referred to in Article 2 (5) to (14) as of 31 December 2014. 2. An accounting entity whose accounting period is a financial year shall proceed according to Article 2 (5) to (14) in the wording effective from 1 January 2015 for the first time with respect to the financial year that begins during the course of 2015 and shall assess the fulfillment of the conditions referred to in Article 2 (5) to (14) as of the balance sheet date during the course of 2015. 3. An accounting entity that was considered a micro-accounting entity in 2014 shall be considered a micro-accounting entity 	<p>The amendment to the Act on Accounting will enter into force on 1 January 2015.</p> <p>The Explanatory Report states the following with regards to transitional provisions:</p> <p>This provision regulates the classification of accounting entities into size groups as of 1 January 2015, where the criteria of size as of 31 December 2014 should be assessed. An accounting entity whose financial year begins during the course of 2015 should assess the fulfillment of the criteria of size as of the balance sheet date during the course of 2015.</p> <p>A micro-accounting entity that has been established according to previous legislation should be considered a micro-accounting entity according to this Act.</p> <p>In this case, an accounting entity that has decided that it will not be a micro-accounting entity from 1 January 2014 shall be classified as a small accounting entity from 1 January 2015.</p>

		<p>4. according to the Act in the wording effective from 1 January 2015.</p> <p>5. An accounting entity that has decided according to the Act in the wording effective until 31 December 2014 that it will not consider itself a micro-accounting entity shall be considered a small accounting entity from 1 January 2015.</p>	
<p>Simplifications for micro-accounting entities and small accounting entities</p>	<p>Micro-accounting entities</p> <p>After 1 January 2014, micro-accounting entities continue to maintain their accounting books according to the Accounting Procedures and Chart of Accounts for Entrepreneurs.</p> <p>Since 1 January 2014, their financial statements have been simplified, including all of their three parts – the balance sheet, the income statement, and the notes to financial statements. They are regulated in separate Decree of the Finance Ministry of the Slovak Republic No. 15464/2013-74 on Financial Statements of Micro-Accounting Entities (it was amended on 24 September 2014; see Finančný spravodajca [Financial Bulletin] 10/2014).</p> <p>From 1 January 2014, the following changes have also been introduced (amendment to the Act on Accounting through Act No. 352/2013 of 17 October 2013, amendment to the Accounting Procedures for Entrepreneurs through Decree of</p>	<p>Nothing has changed following the amendment to the Act on Accounting.</p> <p>However, two separate decrees of the Finance Ministry of the Slovak Republic on financial statements (balance sheet, income statement, notes to financial statements) are being prepared:</p> <ul style="list-style-type: none"> - one with respect to small accounting entities, and - one with respect to large accounting entities and public-interest entities. <p>Further simplifications are expected to apply to small accounting entities with respect to the preparation of the balance sheet, income statement, and notes to financial statements.</p> <p>Both decrees are expected to enter into force on 1 January 2015.</p>	

the Finance Ministry of the Slovak Republic No. 17922/2013-74 of 16 December 2013):

- assets and liabilities **shall not be valued at their fair value**, and ownership interests in other companies **shall not be valued under the equity method** (Article 25 (7) of the Act on Accounting, Article 27 (11) of the Act on Accounting, Article 14 (19) and (20) of the Accounting Procedures, Article 16 (32) and (33) of the Accounting Procedures),
- simplifications with respect to **accounting for the sale** of a business or part thereof (Article 27 (2) of the Accounting Procedures),
- simplifications with respect to **accounting for damage** to assets (Article 72 (2) of the Accounting Procedures).

Small accounting entities

From 31 December 2013, small accounting entities **do not have to** (= optional) present the following information **in the notes to financial statements** as the third part of the financial statements (Article 3 (4) of the Decree on Financial Statements for Entrepreneurs):

- certain information on **income of statutory, supervisory and other bodies**

	<p>(according to Appendix No. 3, Part M (a)),</p> <ul style="list-style-type: none"> - information on related parties (according to Appendix No. 3, Part N). 		
Public-interest entities	<p>Public-interest entities are not defined in the Act on Accounting.</p> <p>They are defined in Act No. 540/2007 Coll. on Auditors (Article 2 (14)) for the purpose of an audit of financial statements.</p> <p>Public-interest entity means (Article 2 (14) of the Act on Auditors):</p> <ul style="list-style-type: none"> - an accounting entity that has issued securities that were permitted to be traded on a regulated market of any member state, - the National Bank of Slovakia, - a bank, branch of a foreign bank, - the Export-Import Bank of the Slovak Republic, - an insurance company, branch of a foreign insurance company, - a reinsurance company, branch of a foreign reinsurance company, - a health insurance company, - an asset management company, branch of a foreign asset management company, - a pension management company, - a supplementary pension insurance company, 	<p>The Act on Accounting defines public-interest entities as follows (Article 2 (14)):</p> <ul style="list-style-type: none"> - an accounting entity that has issued securities that were permitted to be traded on a regulated market of any member state, - a bank, branch of a foreign bank, - the Export-Import Bank of the Slovak Republic, - an insurance company, branch of a foreign insurance company, - a reinsurance company, branch of a foreign reinsurance company, - a health insurance company, - an asset management company, branch of a foreign asset management company, - a pension management company, - a supplementary pension insurance company, - the Stock Exchange, - the Central Depository of Securities, - a security trader, - a payment institution, - an electronic money institution, - a collective investment entity, - a pension fund, 	<p>It can be gleaned from the comparison of these definitions that the set of public-interest entities according to the Act on Auditors and the set of public-interest entities according to the Act on Accounting are not identical.</p> <p>Each act defines them for its own purposes.</p> <p>The Act on Auditors defines them because auditors of financial statements of public-interest entities are subject to stricter requirements than auditors of financial statements of other accounting entities (Article 26):</p> <ul style="list-style-type: none"> - mandatory rotation of a key audit partner, - communication between the auditor and the audit committee, - certain requirements concerning the auditor's independence. <p>The Act on Accounting defines them because public-interest entities are not subject to the provisions on micro-accounting entities, small accounting entities, and large accounting entities.</p>

	<ul style="list-style-type: none"> - the Stock Exchange, - the Central Depository of Securities, - the Railroads of the Slovak Republic, - companies that exceed the criteria of size referred to in Article 17a of the Act on Accounting (assets in the amount of 170,000,000 euros, net turnover in the amount of 170,000,000 euros, and 2,000 employees), - an accounting entity that prepares consolidated financial statements according to Article 22 (3) of the Act on Accounting, - a security trader and a branch of a foreign security trader if they decide to prepare their individual financial statements according to Article 17a of the Act on Accounting (IFRS as adopted by the EU). <p>There are approximately 600 public-interest entities, including approximately 300 in public administration (municipalities, towns, higher territorial units, state-budget funded organizations, and subsidized organizations, which prepare consolidated financial statements).</p>	<ul style="list-style-type: none"> - branch of a foreign financial institution, - an accounting entity that exceeds the criteria of size referred to in Article 17a (assets in the amount of 170,000,000 euros, net turnover in the amount of 170,000,000 euros, and 2,000 employees). 	
<p>Individual financial statements prepared according</p>	<p>Selected accounting entities must prepare their individual financial statements according to the IFRS as adopted by the EU (there are approximately 160–170 of them at the present time).</p>	<p>The Export-Import Bank of the Slovak Republic has been deleted from this list.</p>	<p>The Export-Import Bank of the Slovak Republic will not have this obligation.</p>

to the IFRS as adopted by the EU	They include the Export-Import Bank of the Slovak Republic (Article 17a (1) of the Act on Accounting).		
The content of the term "net turnover" is identical in all the provisions of the Act	<p>The term "net turnover" is referred to in various provisions of the Act on Accounting as one of the three criteria of size:</p> <ul style="list-style-type: none"> - in the definition of micro-accounting entities (Article 2 (5)), - with respect to the determination of the obligation to prepare individual financial statements according to the IFRS as adopted by the EU (Article 17a (2)), - with respect to the determination of the obligation to have financial statements audited by an auditor (Article 19 (1)), - with respect to the determination of the obligation to prepare consolidated financial statements (Article 22 (10)). 	The definition of the term "net turnover" is new; see above.	<p>The previous definition of the term "net turnover" has been replaced by a new one in all the provisions of the Act.</p> <p>It is worth noticing that another criterion of size - "assets" (the Act refers to "total assets") – is not identical in all the provisions of the Act:</p> <ul style="list-style-type: none"> - net assets are referred to in the definition of micro-accounting entities, small accounting entities, and large accounting entities (see above), - gross assets are referred to with respect to the determination of the obligation to prepare individual financial statements according to the IFRS as adopted by the EU, - gross assets are referred to with respect to the determination of the obligation to have financial statements audited by an auditor, - net assets are referred to with respect to the determination of the obligation to prepare consolidated financial statements.
Register of Financial Statements	Several changes have been made to Articles 23 to 23c. They will not be discussed in this document. Regarding these changes, the Explanatory Report states the following: The administrator of the Register responsible for the creation, administration and development of the public administration information system is the Ministry. The operation of the system is the responsibility of the operator that is the state-budget funded organization DataCentrum of the Finance Ministry.		

The task of the operator to formally check information contained in financial statements has been repealed. Tax authorities will perform formal control of the accuracy of information in written form and the Financial Directorate of the Slovak Republic will check information in electronic form, as soon as documents are filed.

The possibility of filing a notification on the date of approval of financial statements in written form has been extended. The date of approval of financial statements needs to be added both to the Register and the Collection of Deeds of the Commercial Register. In 2014, it was possible to announce this only in electronic form. Accounting entities that did not have access to electronic mailing had to file all documents one more time after their approval. In order for this not to be necessary, the Ministry will issue a form of the notification by means of a decree. The date of approval of financial statements will be retrieved from this form for further processing.

Practical experience during the first year of the actual operation of the Register of Financial Statements (hereafter referred to as the "Register") has shown that it is necessary to enhance the control mechanism of documents upon their filing, both with respect to written and electronic form. The draft Act entitles tax authorities to ask an accounting entity to make a correction if documents are incomplete or inaccurate and, at the same time, it stipulates that **an incomplete document is considered undelivered**, which means that any time limits for processing will begin only after the document is complete and accurate. Due to the accumulation of work related to tax returns, the time limit has been extended for the Financial Directorate of the Slovak Republic to forward documents delivered in written form to the Register administrator.

Practical experience has shown that accounting entities request copies of filed documents on a large scale and for various purposes. They often requested only a confirmation of a certain part of financial statements, which was not possible according to the previous wording. At the same time, in view of the large amount of documents whose copies accounting entities request, the number of locations where copies of documents are provided has been increased. The tax authority will provide copies of documents until the documents are filed in the Register. Unified contact points will provide copies of documents after they are filed in the Register.

In this context, the **provisions on fines** have been amended as well. For example, if an accounting entity does not comply with the tax authority's request for removing deficiencies (the accounting entity does not correctly fill out general information or the delivered document is incomplete or the accounting entity does not remove mistakes within the specified time limit or to the specified extend, etc.) a fine may be imposed on the accounting entity in the amount of up to 2% of its total assets, up to a maximum of 1,000,000 euros (Article 38 (1) (c), (2) (b) of the Act on Accounting).

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