

LAW
ON ACCOUNTING

("Off. Herald of RS", No. 62/2013)

I GENERAL PROVISIONS

Scope of Application

Article 1

This law shall regulate the subjects of application of this law, the classification of legal persons, organization of accounting and accounting documents, conditions and manner of bookkeeping, recognition and valuation of positions in the financial statements, drafting, submission and publication of financial statements and annual report on operations, Register of financial reports, National Commission for Accounting, as well as supervision over the implementation of the provisions of this law.

Definitions

Article 2

Certain terms, in terms of this law, shall have the following meanings:

- 1) Legal persons shall include companies, the National Bank of Serbia, banks and other financial institutions over which, according to the law, supervision is conducted by the National Bank of Serbia, insurance companies, financial leasing suppliers, pension funds and companies for managing voluntary pension funds, investment funds and companies for managing investment funds, stock exchanges and broker-dealer companies, factoring companies, cooperatives, institutions that are operating to achieve profit, legal persons that in accordance with special regulations apply the provisions of this law, as well as other legal persons determined by this law;
- 2) Other legal entities shall be considered as legal persons whose business is partly financed from public funds or other government sources, in part or in whole based on membership and not established for the purpose of gaining profit (political organizations, trade union organizations in the form of legal persons, foundations and endowments, associations, chambers, churches and religious communities, in the part that represents performance

of economic or other activity in accordance with the regulations governing performance of these activities, as well as other organizations organized on the basis of membership);

3) Sole traders shall be the individuals that independently perform economic activity in order to gain profit, whose books of account are kept under the double entry bookkeeping system, unless the special regulations stipulate otherwise;

4) International Financial Reporting Standards (hereinafter: IFRS), under this law, shall be: Framework for the Preparation and Presentation of Financial Statements, the International Accounting Standards - IAS, International Financial Reporting Standards - IFRS, and related interpretations published by the International Financial Reporting Interpretations Committee -

IFRIC, subsequent amendments to those standards and related interpretations, approved by the International Accounting Standards Board - IASB, whose translation was determined and published by the ministry responsible for finance affairs (hereinafter: the Ministry). Translation of IFRS that is determined and published by the Ministry is constituted by the basic texts of IAS and IFRS published by the International Accounting Standards Board, as well as interpretations published by the International Financial Reporting Interpretations Committee in the form in which they were published, which do not include basis for conclusions, illustrative examples, guidance, comments, opposing opinions, developed examples and other supplementary material which may be adopted in relation to standards or interpretations, unless explicitly stated that it forms an integral part of the standards or interpretations;

5) International Financial Reporting Standard for Small and Medium-Sized Entities (hereinafter referred to as IFRS for SMEs) shall be the accounting standard of financial reporting for small and medium-sized legal persons, approved by the International Accounting Standards Board (IASB), whose translation is determined and published by the Ministry;

6) Regular Annual Financial Statement shall be a report which should give a true and fair overview of the financial position and operating performance of the legal person that is created for the business year that corresponds to the calendar year or the one that differs from the calendar one;

7) Regular Annual Financial Statement of legal persons that apply IFRS or IFRS for SMEs shall include:

(1) The Balance Sheet, which shall provide an overview of the assets, liabilities and equity of the legal person on a particular day;

(2) Income Statement, which shall provide an overview of revenues, expenses and results of operations incurred in a given period;

(3) Other Comprehensive Income, which shall consist of items of income and expense (including reclassification due to correction), which were not recognized in the Income Statement, as required or permitted under other IFRS. Components of Other Comprehensive Income shall be the items that, according to the requirements of individual IFRS, are recognized within equity;

(4) Statement of Changes in Equity, which shall provide information about changes in equity of legal persons during the reporting period;

(5) Cash Flow Statement which shall provide information on inflows and outflows of cash and cash equivalents during the reporting period;

(6) Notes to the Financial Statements, which shall contain descriptions or elaboration of items disclosed in the reports of the sub-items (1) - (5) of this item, the applied accounting policies, as well as information about items that did not qualify for recognition in these reports but are important for assessing the financial position and operating performance of a legal person, as well as other information in accordance with the IFRS requirements;

8) Regular Annual Financial Statement of other legal persons referred to in item 2) above, except from the other legal persons classified into micro entities referred to in Article 6, paragraph 2 of this Law shall include:

(1) Balance Sheet;

(2) Income Statement;

(3) Notes to the Financial Statements;

9) Regular Annual Financial Statement of micro legal persons and sole proprietors, including:

(1) Balance Sheet;

(2) Income Statement;

10) Consolidated Annual Financial Statement shall be a financial report of an economic unit consisting of a parent company and all its subsidiaries. The Consolidated Annual Financial Statement shall include:

(1) Consolidated Balance Sheet;

(2) Consolidated Income Statement;

(3) Consolidated Other Comprehensive Income;

(4) Consolidated Statement of Changes in Equity;

(5) Consolidated Cash Flow Statement for the period;

(6) Notes to the Consolidated Financial Statements;

11) Extraordinary Financial Statement shall be made in cases of status changes, opening or closing of the bankruptcy proceedings or the start or conclusion of the process of liquidation of a legal person, with the balance at the day preceding the day of registration of the status change, the day of opening or closing of the bankruptcy proceedings, or starting or concluding the liquidation procedure. Extraordinary Financial Statement shall be drawn up even in cases of deleting of a branch of foreign legal entity referred to in Article 4, paragraph 3 of this Law, or a sole proprietor referred to in item 3) of this Article. Extraordinary Financial Statement shall include:

(1) Balance sheet;

(2) Income Statement;

12) Legislation shall mean this law and the secondary legislation issued for the implementation thereof;

13) Internal Regulations shall, in terms of this Law, mean constitutional documents issued by a legal person or a sole proprietor that contain specific instructions and guidelines for the organization of accounting and bookkeeping, accounting policies for the recognition, valuation of assets and liabilities, income and expenses, as well as other issues of bookkeeping and preparation of financial statements for which this law stipulates that they shall be regulated by constitutional documents of a legal person or a sole proprietor.

Determination and Issuance of Translations of IFRS and IFRS for SMEs

Article 3

The translations of IFRS or IFRS for SMEs shall be determined by a decision of the Ministry.

The decision referred to in paragraph 1 of this Article which shall also determine the starting date of application of the IFRS or IFRS for SMEs together with the text of the translation of IFRS and IFRS for SMEs, the Ministry shall published in the "Official Herald of the Republic of Serbia" and on the website of the Ministry.

Subjects of the Law

Article 4

The provisions of this law shall apply to the legal persons referred to in Article 2 items 1) and 2) of this law and sole proprietors from Article 2, item 3) of this law.

The provisions of this law shall also apply to legal persons and other forms of organization that were established abroad by the legal person, if such establishments are not subject to obligation of bookkeeping and preparation of financial statements abroad.

The provisions of this law shall also apply to branches and other organizational units of foreign legal persons domiciled abroad who conduct business activities in the Republic of Serbia, if the special regulations do not stipulate otherwise.

The provisions of this law shall not apply to budgets and beneficiaries of budgetary funds, condominiums, as well as the mandatory social insurance organizations, unless special regulations stipulate otherwise.

The provisions of this law shall not apply to churches and religious communities, except in part of performance of economic or other activity, in accordance with the regulations governing these activities.

Obligations of Legal Persons and Sole Proprietors

Article 5

Legal persons and sole proprietors shall perform bookkeeping, recognition and valuation of assets and liabilities, income and expenses, preparation, presentation, submission and disclosure of

information in the financial statements in accordance with this law.

Classification of Legal Persons

Article 6

Legal persons, in terms of this law, shall be classified as micro, small, medium and large, depending on the average number of employees, business income and average value of operating assets determined on the day of drafting of the regular annual financial statement for the business year.

The micro entities shall be classified as legal persons that do not exceed two of the following criteria:

- 1) The average number of employees 10;
- 2) Operating income of 700,000 EUR in dinars equivalent;
- 3) The average value of operating assets (calculated as the arithmetic mean of the values at the beginning and at the end of the financial year) 350,000 EUR in dinars equivalent.

Small entities shall be classified as legal persons that exceed two criteria referred to in paragraph 2 of this Article, but do not exceed two of the following criteria:

- 1) The average number of employees 50;
- 2) Operating income of 8,800,000 EUR in dinars equivalent;
- 3) The average value of operating assets (calculated as the arithmetic mean of the values at the beginning and at the end of the financial year) 4,400,000 EUR in dinars equivalent.

Medium entities shall be classified as legal persons that exceed two criteria referred to in paragraph 3 of this Article, but do not exceed two of the following criteria:

- 1) The average number of employees 250;
- 2) Operating income of 35,000,000 EUR in dinars equivalent;
- 3) The average value of operating assets (calculated as the arithmetic mean of the values at the beginning and at the end of the financial year) 17,500,000 EUR in dinars equivalent.

Large entities shall be classified as legal persons that exceed two criteria referred to in paragraph 4 of this Article.

The classification in accordance with these criteria shall be done independently by those legal persons at the date of the drafting of financial statements and the information obtained shall be used for the following financial year.

The official middle exchange rate of the dinar, established by the National Bank of Serbia and valid on the last day of the business year for which the regular financial statement is prepared, shall be used to calculate the dinars equivalent of the amount of foreign currency from paragraphs 2-4 of this Article.

Newly established legal persons shall be classified on the basis of data from financial statements for the year in which they were established and the number of months in business, and determined data shall be used for that and the following financial year.

The average number of employees shall be calculated by dividing the sum of the total number of employees at the end of each month, including employees abroad, with the number of months in the business year.

Notice of classification, in terms of this law, along with the financial statements shall be delivered by the legal person to the Business Register Agency (hereinafter referred to as the Agency) which verifies the delivered notice of classification.

If the legal person refuses to harmonize the notice of classification with the request of the Agency, the data on the size of the legal person determined by the Agency shall be used in the next business year.

The National Bank of Serbia, banks and other financial institutions supervised, according to the law, by the National Bank of Serbia, insurance companies, financial leasing providers, voluntary pension funds, companies managing voluntary pension funds, open-ended and closed-ended investment funds, investment funds' management companies, stock exchanges and broker-dealer companies, as well as factoring companies in terms of this law shall be considered as large entities.

Sole Proprietors, for the purposes of this law, shall be considered as micro entities.

II ORGANIZATION OF ACCOUNTING AND ACCOUNTING DOCUMENTS

Organization of Accounting

Article 7

Legal persons and sole proprietors shall, in their constitutional documents and in accordance with this law: regulate the organization of accounting in a way that provides comprehensive recording, as well as the prevention and detection of incorrectly recorded business changes, regulate the internal accounting control procedures, establish accounting policies, determine the persons responsible for legality and correctness of initiation of a business change and preparation and control of accounting documents relating to the business change, regulate the flow of accounting documents and set the deadlines for their submission for further processing and recording in the books of account.

Input of data into book of account shall be organized so as to enable:

- 1) Control of the input data;
- 2) Control of correctness of the input data;
- 3) Insight into the transactions and the balance of the general ledger accounts;
- 4) Insight into the chronology of recorded business changes;
- 5) Storage and usage of data.

A legal person or a sole proprietor using computerized data processing methods shall use standard accounting software that allows operation of the system of internal accounting controls and prevents the deletion of recorded business changes.

Accounting Documents

Article 8

Recording business changes in the accounts of assets, liabilities and equity, income and expenses shall be based on credible accounting documents.

An accounting document shall be a written document or electronic record of a business transaction, which includes all information necessary for entry in the books of account so

that the origin, type and content of each business change may be clearly learned from the accounting document.

Accounting document shall be prepared in the required number of copies at the place and time of occurrence of a business change.

Accounting document shall be drawn up in a single copy may be dispatched if data from that document is permanently available.

Photocopy of accounting documents shall be the basis for the recording of a business change, provided that it cites the place of storage of the original document and that it is signed by a responsible person.

Accounting documents shall be deemed a document dispatched or received via telecommunications, as well as a document dispatched or received through the service for electronic data interchange (Electronic Data Interchange - EDI).

The sender shall be responsible that the data at the entrance to the telecommunication system are based on accounting documents, as well as to store the original accounting documents.

When accounting documents shall be transmitted via the service for electronic data interchange, the provider of electronic data interchange service shall be required to ensure the integrity of the interchanged data.

Responsibility for the Accounting Documents

Article 9

Responsible officer shall confirm with his signature or other identification mark that the accounting documents is authentic (complete, true, computationally accurate, and that it shows the business change).

Accounting document, produced in the form of electronic record, should contain a signature or other identifying mark of the responsible officer or a person authorized to issue accounting document, or electronic signature in accordance with the law.

A legal person shall, before entering the data from the accounting documents in the books, appoint a responsible officer who needs to perform a control of the authenticity of the document and sign it.

The control of accounting documents may not be conducted by persons who are in charge of material things (values) to which the documents relate.

Deadlines for Submission of Accounting Documents and Deadlines for Bookkeeping

Article 10

Persons who prepare and receive accounting documents, shall deliver for bookkeeping the accounting document and other documentation in connection with the occurred change within three working days from the day when the business change occurred, or within three working days of the day of reception.

Persons, who keep books, after they have reviewed the accounting documents received, shall record the accounting documents in the books of account at the latest within five working days of the day of reception.

III BOOKS OF ACCOUNT AND CHART OF ACCOUNTS

Types of Books of Account

Article 11

Books of account shall represent uniform records on the state and changes in assets, liabilities and equity, revenues and expenses of legal persons and sole proprietors.

Books of account shall be the journal, general ledger and subsidiary ledgers.

The journal and the general ledger shall be kept by the double-entry bookkeeping.

The journal shall be a book of account in which the records of the business changes are entered in the order of their occurrence.

The journal may be kept as a single book of account or several books of account intended for business changes of certain balance sheet or off-balance sheet items.

The general ledger shall be a complete set of accounts, which are in equilibrium, for the systematic inclusion of the balance and changes in assets, liabilities, equity, income and expenses and that is the basis for the preparation of financial statements. The general ledger consists of two

distinct parts, namely: the balance sheet records and off-balance sheet records.

General ledger should include the accounts determined by chart of accounts, in accordance with the needs of the legal person.

Subsidiary ledgers shall be analytic records kept separately for intangible investments, real estate property, plants and equipment, investment property, long-term financial investments, inventories, receivables, payables and others.

Subsidiary ledgers relating to tangible assets shall be recorded in the quantities and amounts of money.

The business changes that occur on the basis of cash and other valuables kept in the treasury of a legal person or a sole proprietor shall be recorded in the cash receipts journal. The cash receipts journal shall be concluded at the end of each working day and delivered to the accounting on the same day, and no later than the following day.

Method of Bookkeeping

Article 12

In the books of account data shall be recorded on the basis of accounting documents.

Books of account shall be kept in accordance with the principle of unchangeable record of an occurred business change.

Books of account shall be kept in a way that should enable the control of the input data, the correctness of the input data, data storage, possibility of data usage, possibility of insight into transactions and balances in the accounts in the ledger and subsidiary ledgers, or transactions, as well as insight into the chronology of performed recording of business changes.

Books of account shall be kept for the business year that corresponds to the calendar year, except when the books of account are kept for the business year that differs from the calendar year in accordance with this law.

Business records may be kept in unbound sheets, bound or transferred to some of the electronic or magnetic media, so that, if necessary, they may be printed or displayed on the screen.

Opening of books of accounts shall be done at the beginning of the business year based on the closing balance sheet of the previous year.

Newly established legal persons and sole proprietors shall open the books of account based on the opening balance sheet which shall be drafted on the basis of the list of assets and liabilities as at the day of registration with the Agency or with any other competent authority.

Chart of Accounts

Article 13

Legal persons and sole proprietors shall record the business changes in the accounts prescribed by the chart of accounts.

The chart of accounts and content of accounts in the chart framework shall be prescribed by:

- 1) The minister in charge of finance affairs - for companies, cooperatives and sole proprietors;
- 2) The minister in charge of finance affairs - for other legal persons referred to in Article 2, item 2) of this law;
- 3) National Bank of Serbia - for the National Bank of Serbia, banks and other financial institutions, insurance companies, financial leasing providers, voluntary pension funds and companies for managing voluntary pension funds, in accordance with this law and other laws governing the operations of banks and other financial institutions, over which, according to the law, supervision is conducted by the National Bank of Serbia;
- 4) The Securities Commission - for investment funds and management companies of investment funds, as well as the stock exchanges and broker-dealer companies.

Persons that Keep Books of Account and Prepare Financial Statements

Article 14

A legal entity or a sole proprietor shall in their constitutional documents designate the level of school education, work experience and other requirements for the person responsible for bookkeeping and preparation of financial statements.

Entrusting some other Company or Sole Proprietor with Bookkeeping and Preparation of Financial Statements

Article 15

A legal person or a sole proprietor may entrust by a contract in written form, in accordance with the law, a company or a sole proprietor, who have a registered predominant activity in providing accounting services, with bookkeeping and preparation of financial statements.

The provision of paragraph 1 of this Article shall not apply to the National Bank of Serbia, banks and other financial institutions over which, according to the law, supervision is conducted by the National Bank of Serbia, insurance companies, financial leasing providers, voluntary pension funds, companies for managing the voluntary pension funds, investment funds, management companies of investment funds, stock exchanges, broker-dealer companies and factoring companies.

IV INVENTORY OF ASSETS AND LIABILITIES

Mandatory Inventory

Article 16

A legal person or sole proprietor shall, at the beginning of their operations, conduct an inventory of assets and liabilities with an indication of individual values in the quantity and monetary amount.

A legal person or sole proprietor shall conduct an inventory of assets and liabilities and reconcile the balance in the books with the balance determined through inventory at the end of the business year.

Synchronizing turnover and the balance of the general ledger with the journal, and subsidiary ledgers with the general ledger, shall be made prior to the inventory of assets and liabilities, and prior to preparation of the annual financial statements.

A legal person or a sole proprietor may stipulate in their constitutional documents even longer periods for conducting the inventory of books, films, archives and the like, provided that these periods may not be longer than five years.

Method and time limits for the inventory and reconciliation of the books balance with the actual

situation shall be prescribed by minister in charge of finance affairs.

Additional Inventory Obligations

Article 17

In addition to the inventory of assets and liabilities referred to in Article 16 of this law, a legal person or a sole proprietor shall conduct the inventory and reconciliation of the balance even during handover of duty of the accountant, changes in selling prices of products and goods in a retail store, status changes, opening or closing of bankruptcy and liquidation of the legal person, as well as in other cases provided by law.

Reconciliation of Receivables and Payables

Article 18

Before preparation of the financial statements, the legal persons and sole proprietors shall reconcile mutual receivables and payables evidenced by appropriate document.

A creditor shall before preparation of financial statements deliver to the debtor a list of outstanding payables.

The persons referred to in paragraph 1 of this Article shall respond to the request of an authorized auditor for independent confirmation of receivables and payables.

Legal persons that prepare Notes to the financial statements shall disclose in such statement not reconciled receivables and payables in the total amount.

V EVALUATION RULES

General Accounting Principles

Article 19

Items that are displayed in the regular financial statements of legal persons should be evaluated in accordance with general accounting principles:

- 1) Assumption that a company operates continuously;
- 2) Evaluation methods shall be applied consistently from year to year;

3) Evaluation shall be performed by applying the precautionary principle, and in particular:

(1) Balance Sheet shall show the liabilities incurred during the current or previous business years, even if such liabilities become evident only between the date of the Balance Sheet and the date of its drawing;

(2) All impairments shall be taken into account, regardless of whether the result of a business year is gain or loss;

4) All income and expenses relating to the business year regardless of the date of their collection or payment shall be taken into account;

5) Components of assets and liabilities shall be evaluated separately;

6) Opening balance for each business year shall be equal to the closing balance for the previous business year.

Notwithstanding paragraph 1 of this Article, the deviations from the general accounting principles shall be allowed only in cases of application of certain IFRS or IFRS for SMEs and such deviations, as well as the reasons why they arise, must be disclosed in the Notes to the Financial Statements, including the assessment of their effects on the assets, liabilities, financial position and profit or loss of the legal person or the sole proprietor.

Application of IFRS

Article 20

IFRS shall be applied for recognition, evaluation, presentation and disclosure of items in the financial statements by large entities, legal persons that have an obligation to draw up consolidated financial statements (parent legal persons), public companies, or companies that prepare to become public, in accordance with the law governing the capital market, regardless of their size.

The Application of IFRS for SMEs

Article 21

IFRS for SMEs shall be applied for recognition, evaluation, presentation and disclosure of items in the financial statements by small and medium-sized legal persons.

Notwithstanding paragraph 1 of this Article, the medium-sized legal persons may decide to apply IFRS referred to in Article 20 of this law.

In the case referred to in paragraph 2 of this Article, the medium-sized companies shall apply IFRS continuously, except if they become a small legal person in accordance with this law.

Micro and Other Legal Persons

Article 22

For recognition, evaluation, presentation and disclosure of items in the individual financial statements, micro and other legal persons referred to in Article 2, item 2) of this law, regardless of their size, shall apply a secondary legislation passed by the minister in charge of finance affairs, which shall be based on general accounting principles.

Notwithstanding paragraph 1 of this Article, micro and other legal persons referred to in Article 2, item 2) of this law, regardless of their size, may opt to apply the IFRS for SMEs from Article 21 of this law.

In the case referred to in paragraph 2 of this Article, micro and other legal persons referred to in Article 2, item 2) of this law, regardless of their size, shall apply the IFRS for SMEs in continuity.

VI CLOSING OF BOOKS AND STORAGE OF ACCOUNTING DOCUMENTS, BOOKS OF ACCOUNTS AND FINANCIAL STATEMENTS

Closing of Books

Article 23

Books of accounts shall be closed after all business changes and calculations have been recorded at the end of the business year, as well as in the cases of status changes, closing of business or in other cases where it is necessary to close the books.

Subsidiary ledgers which have been used for more than one year shall be closed after the termination of their use.

The books of accounts shall be closed the latest until the deadline for submission of financial statements.

Storage of Accounting Documents, Books of Accounts and Financial Statements

Article 24

Legal persons and sole proprietors shall duly store accounting documents, books of accounts and financial statements, and to determine in their constitutional documents the responsible officers and premises for their storage, as well as a manner of storing.

Financial statements and audit reports shall be stored for 20 years.

The annual business report shall be stored for 10 years starting from the last day of the business year for which it was prepared.

The journal and the general ledger shall be stored for 10 years.

Subsidiary ledgers shall be stored for five years, starting from the day of their closing.

Payrolls and analytical records of salaries shall be stored permanently.

The documents that were the basis on which the data were entered into the books shall be stored for five years.

The documents of payment transactions shall be stored for five years in the financial institutions authorized for payments.

The time periods for storage of accounting documents and books of accounts shall be calculated from the last day of the business year to which they relate.

The accounting documents, books of accounts and financial statements shall be stored in original or by using other means of storage, established by law.

Accounting documents may be stored on electronic media, as the original electronic document or digital copies, if the competent authority has access to data stored in such manner and if it is provided that:

- 1) The data contained in an electronic document or record may be accessed and are suitable for further processing;
- 2) The data were stored in the form in which they were created, sent and received;
- 3) The sender, recipient, time and place of sending and receiving may be determined from the saved electronic message;

4) The technologies and procedures were implemented which sufficiently provide protection from modification or deletion of data, or other reliable means of guaranteeing the immutability of data or messages, as well as a backup database on another location.

The accounting documents, books of accounts and financial statements shall be stored in the business premises of the legal person or sole proprietor, or at the legal persons or sole proprietors who are entrusted with bookkeeping.

If the books are kept on a computer, along with the stored data, a legal person or a sole proprietor shall also provide storage of application software in order to make the data accessible to control.

When opening the procedure of liquidation or bankruptcy, the accounting documents and books of accounts shall be submitted along with the delivery record to the liquidation or bankruptcy trustee.

The minister responsible for finance affairs may issue a secondary legislation which shall more closely regulate the requirements and manner of storage of accounting documents in electronic form, or in electronic media.

VII FINANCIAL STATEMENTS AND ANNUAL BUSINESS REPORT

Regular Annual Financial Statement

Article 25

Legal persons and entrepreneurs shall draw up regular annual financial statements for the business year which corresponds to the calendar, in accordance with this law and secondary legislation issued under this law.

Notwithstanding paragraph 1 of this Article, a subsidiary legal person, based in the Republic of Serbia, whose parent company domiciled abroad has a business year that differs from the calendar year, may, with the consent of the minister responsible for finance affairs, or the National Bank of Serbia in case of legal persons from its jurisdiction (other than banks), or the Securities Commission regarding legal persons under its jurisdiction, prepare and publish annual financial statements with the balance as of the last day of the business year that differs from the calendar one.

Legal entities whose operations are regulated by other regulations under which an agency or organization responsible for overseeing their operations prescribed the content and structure of annual financial statements, shall prepare annual financial statements in accordance with this law and those regulations.

A legal entity shall draw up extraordinary financial statements in cases stipulated by this law.

Jurisdiction for Regulation of Financial Statements

Article 26

The minister in charge of finance affairs shall specify the content and format of forms of financial statements referred to in Article 2 of this law for the purposes of comprehensive information and statistical processing for companies, cooperatives and sole proprietors.

The minister in charge of finance affairs shall specify the content and format of forms of financial statements referred to in Article 2 of this law for the purposes of unified information and statistical processing for other legal entities referred to in Article 2, item 2) of this law.

The National Bank of Serbia shall prescribe the content and format of forms of financial statements referred to in Article 2 of this law for the purposes of unified information and statistical processing for the National Bank of Serbia, banks and other financial institutions, insurance companies, financial leasing providers, voluntary pension funds and management companies of voluntary pension funds, in accordance with this law and other laws governing the operations of banks and other financial institutions supervised by the National Bank of Serbia.

The Securities Commission shall prescribe the content and format of forms of financial statements referred to in Article 2 of this law for the purposes of unified information and statistical processing for investment funds, investment funds' management companies and stock exchanges and broker-dealer companies.

The Consolidated Annual Financial Statement

Article 27

Legal entities having control (control, or parent legal person) of one or more legal persons (subordinate or

subsidiary legal person), in accordance with this law and with the requirements of IFRS, shall prepare, display, submit and disclose consolidated financial statements.

The consolidated annual financial statements shall be prepared by a legal person serving as a parent company in an economic entity.

The consolidated annual financial statements shall be prepared under the same date as the regular annual financial statements of the parent company.

Provisions on the financial statements referred to in Art 20 and 21 of this law shall apply mutatis mutandis to the recognition, evaluation, presentation and disclosure of items in the consolidated annual financial statements.

Notwithstanding paragraph 1 of this Article, if the value of the assets and business income of the parent legal person and its subsidiaries, excluding mutual participation, receivables and payables, mutual results and mutual business income and expenses of the parent legal person and its subsidiaries, in the sum does not exceed half of the criteria for a small entity, in terms of Article 6, paragraph 3 of this law, the parent entity shall not be required to prepare, submit and disclose consolidated financial statements.

Paragraph 5 of this Article shall not apply to parent legal persons that are public companies or companies that are preparing themselves to become public in accordance with the law governing the capital market.

Parent legal person, which is at the same time a subsidiary in a higher economic unit, shall not be required to prepare consolidated annual financial statements in accordance with this law, unless its parent company has its seat abroad.

Audit of Financial Statements

Article 28

An audit of annual and consolidated annual financial statements shall be performed in accordance with the regulations governing the audit.

Annual Business Report

Article 29

A legal person shall prepare an annual business report.

The annual business report shall include:

- 1) A brief description of the business activities and organizational structure of the legal person;
- 2) A fair display of development, financial position and results of operations of the legal person, including financial and non-financial indicators relevant to the specific type of business activity, as well as information on human resources matters;
- 3) Information about investments in order to protect the environment;
- 4) All significant events after the end of the business year;
- 5) Planned future development;
- 6) Research and development activities;
- 7) Information on the acquisition of treasury stock, or shares;
- 8) Existence of branches;
- 9) Information on currently used financial instruments if that is important for the assessment of the financial position and operating performance;
- 10) Objectives and policies for managing financial risks, together with the policy of protection of each significant kind of a planned transaction that uses protection;
- 11) Exposure to price risk, credit risk, liquidity risk and cash flow risk, strategy for managing these risks and evaluating their effectiveness.

Annual report on the operations of public companies or companies that are preparing themselves to become public in accordance with the law governing the capital market shall provide an overview of corporate governance rules.

Notwithstanding paragraph 1 of this Article, the micro, small and medium-sized entities, except for public companies referred to in paragraph 3 of this Article, shall not be bound to prepare an annual business report, provided that they shall state the information on the purchase of treasury stocks or shares in the Notes to the Financial Statements if they are required to prepare them.

Connecting the Annual Business Report and the Consolidated Annual Business Report in One Report

Article 30

Parent legal persons may decide to display the annual business report and consolidated annual business report as one report that should contain information relevant to the economic unit.

Language and Reporting Currency

Article 31

Books of account, financial statements, annual business report, the decision on adoption of the financial statements, the auditor's report on the performed audit of the financial statements, decisions on the allocation of profit or loss coverage and other financial information shall be prepared in Serbian language.

Amounts in the books of account, financial statements, decisions, and other financial information referred to in paragraph 1 of this Article shall be expressed in dinars.

Adoption and Responsibility for the Financial Statements

Article 32

Financial statements shall be adopted by the assembly or other competent body of a legal person or sole proprietor.

The legal representative, management body and supervisory body of a legal person in accordance with the law, or a sole proprietor, as well as the responsible person referred to in Article 14 of this Law shall be responsible for a true and fair presentation of the financial position and operating performance of the legal person.

The legal representative of a legal person or a sole proprietor shall sign the financial statements.

VIII SUBMISSION OF FINANCIAL STATEMENTS

Submission of Financial Statements for Public Release

Article 33

Legal persons or sole proprietors shall submit the regular annual financial statements for the reporting year to the Agency, for public release, no later than

30 June of the following year, unless a special law stipulates otherwise.

Legal persons, whose business year differs from the calendar one, shall submit the regular annual financial statements for the reporting year to the Agency, for public release, not later than six months from the day when these reports were prepared.

Legal persons that prepare consolidated annual financial statements (parent legal persons) shall submit the consolidated annual financial statements for the reporting year to the

Agency, for public release, no later than 31 July of the following year unless a special law stipulates otherwise.

Legal persons and sole proprietors who draw up extraordinary financial statements shall submit them to the Agency, for public release, within 60 days of the day on which such statements were drawn up.

A legal person which had no business events, nor in its business books has data on assets and liabilities, shall submit to the Agency by the end of February of the following year a statement of inactivity relating to the reporting year.

The financial statements of referred to in Par 1-4 of this Article and the statement referred to in paragraph 5 of this Article, undersigned by qualified electronic signature of the legal representative, shall be entered in a special information system of the Agency and submitted to the Agency in electronic form.

Submission of Documents with Financial Statements

Article 34

Legal persons shall submit, along with the regular and consolidated annual financial statements referred to in Article 33 of this Act, the originals of the following documents to the Agency:

- 1) Decision on the adoption of the regular i.e. consolidated annual financial statements;
- 2) Decision on distribution of profit or loss coverage under the regular annual financial statement, if it is decided that the profit shall be allocated, or loss covered;
- 3) Annual business report in accordance with this law.

Legal persons which have a duty to audit the financial statements in accordance with the law governing audit, shall submit to the Agency, in addition to the documentation referred to in paragraph 1 of this Article, the original of the audit report, drawn up in accordance with the law and international audit standards, with the attached financial statements that were audited.

Submission of Data for Statistical and Other Purposes

Article 35

Legal entities and sole proprietors shall submit to the Agency by the end of February of the following year, for statistical and other purposes: Balance Sheet, Income Statement and Statistical Report for the business year that corresponds to the calendar one.

Legal persons whose business year differs from the calendar one, shall submit to the Agency by the end of February of the following year: Balance Sheet, Income Statement and Statistical Report for the business year that corresponds to the calendar one.

Data from the reports referred to in Par 1 and 2 of this Article may not be transferred to any third party without the express consent of the legal person or sole proprietor, nor can they be publicly released.

The form and content of the Statistical Report shall be prescribed by the minister responsible for finance affairs, the National Bank of Serbia, or the Securities Commission, according to the competences prescribed by this law.

It shall be considered that the legal persons and sole proprietors who, along with reports for statistical processing referred to in Par 1 and 2 of this Article, also submitted other financial statements and documents referred to in Art 33 and 34 of this law, i.e. the statement that they submit the regular annual financial statements, have also fulfilled the obligation to submit these statement for public release.

Reports from Par 1 and 2 of this Article, undersigned by qualified electronic signature of the legal representative, shall be entered in a separate information system of the Agency and submitted to the Agency in electronic form.

IX REGISTER OF FINANCIAL STATEMENTS

Public Release of Financial Statements

Article 36

The Agency shall publish the data from complete and computationally accurate financial statements and documents referred to in Art 33 and 34 of this law, on its website, within the Register of Financial Statements, in full content as applied to the subjects of statutory audit in accordance with the law governing the audit, and in an abridged form as applied to other legal persons and sole proprietors.

The Agency shall publicly release the data and documentation referred to in paragraph 1 of this Article on the website within 60 days of receipt of a complete and computationally accurate financial statement of the legal person i.e. sole proprietor.

Financial statements and documents referred to in Art 33 and 34 of this law in which legal persons and sole proprietors did correct the identified deficiencies shall be publicly released by the Agency on its website as incomplete and computationally inaccurate, in full or abridged form, no later than 31 October of the following year for the reporting year.

The Agency shall provide free of charge access to users of its website to financial statements and documentation from Par 1 and 3 of this Article for the last three reporting years.

Content of the Register of Financial Statements

Article 37

The Register of Financial Statements shall be a central, public, unified electronic database of complete and computationally accurate financial statements and documentation referred to in Art 33 and 34 of this law.

A separate database for statistical and other purposes from Article 35 of this law shall be kept within the Register of Financial Statements.

Based on the data referred to in paragraph 1 of this Article and aggregate data referred to in paragraph 2 of this Article, data from other registers and records maintained by the Agency, as well as data supplied by other competent authorities and interested users of the Agency's

services, the solvency database shall be kept by the Agency within the Register of Financial Statements.

Data on solvency referred to in paragraph 3 of this Article shall be standardized in time series and

harmonized with international standards, EU directives and rules of financial analysis.

Data in the Registry of Financial Statements shall be kept in order to assess economic developments in the Republic of Serbia, to analyze the financial position and operating performance of legal persons and sole proprietors and to assess the operation risk, in order to ensure reliable information to users.

Keeping the Register of Financial Statements

Article 38

The Agency shall be authorized, for the purpose of keeping the Register of Financial Statements, to collect, record, process, archive, and publicly release financial statements and documentation referred to in Art 33 and 34 of this law, to distribute the data from these statements, as well as to manage the databases and ensure the protection of databases and documents which were archived.

The Agency shall keep the Register of Financial Statements through its registrar appointed in accordance with the law governing the operations of the Agency.

The Agency shall be responsible for the authenticity of electronic input of data from the financial statements, for publication, as well as for the processing of other information and documents which are recorded in the Register of Financial Statements.

The Agency shall be required to keep financial statements, annual business report, audit report and other documents referred to in Art 33 and 34 of this law for ten years from the day of their receipt.

Competence for Adopting Secondary Legislation relating to the Register of Financial Statements

Article 39

Detailed terms and conditions of receiving and verifying the compliance with the requirements for public disclosure of financial statements and documents referred to in Art 33 and 34 of this law, keeping the Register of Financial Statements, providing data submitted to the Agency by other competent authorities and legal persons and sole proprietors, as well as providing services from the Register of Financial Statements, shall be prescribed by the minister in charge of finance affairs at the proposal of the Agency.

Stamp Duty for Disclosure of Financial Statements and Reimbursement of Expenses for Provision of Data from the Registry of Financial Statements

Article 40

Stamp duty for disclosure of financial statements and documentation referred to in Art 33 and 34 of this law, as well as reimbursement of expenses for provision of data and other

services from the Register of Financial Statements, shall be determined by the Agency in accordance with the law regulating the budget system.

Usage of Data from the Registry of Financial Statements

Article 41

Register of Financial Statements shall assign the financial statements of legal persons and sole proprietors to the competent registers of the Agency in which their status data are registered.

The Agency shall allow the National Bank of Serbia direct access and takeover of financial statements without compensation, i.e. all data from financial statements and documentation referred to in Art 33-35 of this law, as well as all other data that the National Bank of Serbia needs in order to perform its duties determined by law.

The Agency shall provide access to the Tax Administration or deliver data from the financial statements and documentation referred to in Art 33 and 34 of this law, as well as data for statistical and other purposes from Article 35 of this law, at no charge.

The Agency shall provide access or deliver data for statistical and other purposes from Article 35 of this law to the Statistical Office of the Republic of Serbia, at no charge.

The Agency shall, at user's request, give the original data or copies of the annual financial statement, annual business report or audit report, and provide other services of the Register of Financial Statements.

Data users, in terms of this article, may use the documentation and data retrieved from the Register of Financial Statements only for their own purposes, in accordance with the regulations, and may not transfer them to third parties, distribute or publish them in their original form.

X NATIONAL COMMISSION FOR ACCOUNTING

Establishment and Scope of Work of the National Commission for Accounting

Article 42

The Government, on the proposal of the Ministry, shall establish the National Commission for Accounting (hereinafter referred to as: the Commission), tasked with:

- 1) Monitoring the process of implementation of European Union directives in the field of accounting and proposing appropriate solutions for the national legislation;
- 2) Monitoring the process of implementation of IFRS and IFRS for SMEs and giving its opinion to the Ministry on translation of these standards, as well as solutions for any problems that may arise in the process of application of those standards.

Work Report

Article 43

The Commission shall submit to the Ministry a report on its work, at least once a month.

Composition and Funding of the Commission

Article 44

At the recommendation of the minister responsible for finance affairs the Government shall appoint the chairman and six members of the Commission from among qualified persons who possess knowledge and practice in the field of finance, accounting and audit, of which one member respectively shall be appointed at the proposal of the Securities Commission and the National Bank of Serbia.

Professional and administrative tasks for the needs of the Commission shall be conducted by the Ministry.

The work compensation of the chairman and members of the Commission shall be provided from the budget of the Republic of Serbia.

The amount of compensation of the chairman and members of the Commission shall be determined by the Government, at the proposal of the Ministry.

XI SUPERVISION

Supervising Institutions

Article 45

Supervision of legal persons and sole proprietors, in the sense of checking the correctness of recording of business changes in the books, shall be performed by the Tax Administration in accordance with the provisions of regulations governing the tax procedure and tax administration.

Supervision of banks and other financial institutions, insurance companies, financial leasing providers, voluntary pension funds and management companies of voluntary pension funds, in the sense of checking the correctness of recording of business changes in the books, shall be performed by the National Bank of Serbia.

XII PENALTY PROVISIONS

Commercial Offence

Article 46

A commercial offence fine of 100,000 to 3,000,000 dinars shall be imposed on a legal person if:

- 1) It fails to classify itself into micro, small, medium or large entity in accordance with this law (Article 6);
- 2) It fails to regulate the organization of accounting by a constitutional document in the manner referred to in Article 7, paragraph 1 of this law;
- 3) It performs data processing on a computer, but fails to provide accounting software that allows operation of the system of internal accounting controls and prevents the deletion of the recorded business changes (Article 7, paragraph 3);
- 4) It fails to prepare accounting documents in accordance with this law (Article 8);
- 5) It fails to check the accounting documents before entering them into the books of accounts (Article 9);
- 6) It fails to submit the accounting documents and documentation for recording within the prescribed period and if it fails to record the business change in the books within the prescribed period (Article 10);
- 7) It fails to keep books of accounts in accordance with this law (Article 12);
- 8) It fails to open the books in accordance with this law (Article 12);

9) It fails to designate in a constitutional document a person entrusted with bookkeeping and preparation of financial statements (Article 14);

10) It fails to make the inventory of assets and liabilities in accordance with this law (Article 16);

11) As a creditor, it fails to submit a balance of unpaid invoices to its debtor and if it fails to disclose in the Notes to the Financial Statements not reconciled receivables and payables (Article 18 par 2 and 4);

12) It fails to prepare and display its financial statements in accordance with this law (Art 2022);

13) It fails to close books of account in accordance with this law (Article 23);

14) It fails to store accounting documents, books of account, financial statements, annual business report and the audit reports in time limits and in the manner prescribed by this law (Article 24);

15) It fails to protect books of account that are kept on electronic media in accordance with this law (Article 24);

16) It fails to prepare financial statements in accordance with this law (Art 25 and 27);

17) It fails to perform an audit of financial statements (Article 28);

18) It fails to prepare an annual business report (Article 29);

19) It fails to prepare books of account, reports, decisions and other financial information in Serbian language and in dinars (Article 31);

20) It fails to submit the financial statements, annual business report, the audit report and other documentation referred to in Article 34 of this law to the Agency for public release, or fails to provide data for statistical and other purposes within the time limits prescribed by this law (Art 33-35);

21) It uses the data obtained from the Register of Financial Statements in breach of Article 41 of this law.

For the acts referred to in paragraph 1 of this Article a commercial offence fine of 20,000 to 150,000 dinars shall be imposed for on the responsible person in the legal person.

Misdemeanors

Article 47

A misdemeanor fine of 100,000 to 500,000 dinars shall be imposed on a sole proprietor for the acts referred to in Article 46 items 2) -16), and items 19) - 21) of this law.

A misdemeanor fine of 20,000 to 150,000 dinars shall be imposed on a natural person if he uses the data obtained from the Register of Financial Statements in breach of Article 41 of this law.

XIII TRANSITIONAL AND FINAL PROVISIONS

The National Commission for Accounting

Article 48

The National Commission for Accounting, established in accordance with the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law), shall continue to operate in accordance with this law.

The Time Limit for Adoption of Secondary Legislation

Article 49

Secondary legislation for the implementation of this law shall be enacted within six months from the date of entry into force of this law, and shall start to be applied from the financial statements that are prepared on the day of December 31, 2014.

The secondary legislation adopted on the basis of the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law) shall be applied until the beginning of application of secondary legislation referred to in paragraph 1 of this Article.

The Application of IFRS for SMEs

Article 50

The provisions of Article 21 of this law shall start applying as of financial statements that are prepared on December 31, 2014.

Notwithstanding paragraph 1 of this Article, legal persons which, in accordance with the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law), were applying the Rules on the Manner of Recognition

and Valuation of Assets, Liabilities, Income and Expenses of Small Legal Persons and Sole Proprietors ("Official Herald of RS", No. 106/06 and 111/06 - correction), may apply the provisions of those rules the latest by the preparation of financial statements on the day of 31 December 2015.

Submission of Financial Statements

Article 51

The provisions of Art 33-35 of this Law shall start applying as of financial statements that are prepared on the day of December 31, 2014.

Notwithstanding paragraph 1 of this Article, micro entities referred to in Article 6, paragraph 2 of this law, may submit the financial statements, which are prepared on the day of December 31, 2014, as well as the documentation and data referred to in Art 33-35 of this law, in paper form also.

Until the beginning of the application of the provisions of Art 33-35 of this law, the Agency shall allow to the National Bank of Serbia, in accordance with Article 41 of this Law, access and takeover of the financial statements, i.e. all data from financial statements and other documentation which is submitted to the Agency in accordance with Art 30 and 31 of the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law).

Repealing the Law

Article 52

On the day of entry into force of this law, the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law) shall cease to be valid, except for the provisions of Article 37, Article 38, paragraph 15, Article 40, paragraph 3 and Article 45 of that law which shall cease to be valid on 31 December 2013, the provisions of Article 2, paragraph 5, Art 15, 26, 30 and 31 of that law which shall cease to be valid on 30 December 2014, and the provisions of Article 2, paragraph 6 of that law which shall cease to be valid on 30 December 2015.

Final Provision

Article 53

This law shall enter into force on the eighth day of its publication in the "Official Herald of the Republic of Serbia".