

LAW ON ACCOUNTING

(Official Gazette of RS, No 62/2013)

I. GENERAL PROVISIONS

Scope

Article 1

This Law shall regulate the persons required to apply this Law, classification of legal persons, organization of accounting and accounting documents, conditions for and the method of bookkeeping, recognition and valuation of positions in financial statements, drafting, filing and public disclosure of financial statements and of the annual reports on operations, the Register of Financial Statements, the National Accounting Commission and enforcement of provisions of this Law.

Definitions

Article 2

For purposes of this Law, the following definitions apply:

1) legal persons include companies, the National Bank of Serbia, banks and other financial institutions, supervised by the National Bank of Serbia pursuant to the Law, insurance companies, financial leasing providers, pension funds, and voluntary pension fund management companies, investment funds, and investment fund management companies, stock exchanges, and broker-dealer companies, factoring companies, cooperatives, for-profit institutions, legal persons that apply the provisions of this Law pursuant to special regulations, and other legal persons stipulated by this Law;

2) other legal persons are legal persons whose operations are, in part, financed from public revenues or other earmarked sources, and in part or fully on the basis of membership, and that are not founded for profit (political organizations, trade union organizations with the status of a legal person, foundations and endowments, associations, chambers, churches and religious communities, in the part of performing economic or other activity in compliance with regulations governing performance of those activities, and other organizations organized on the basis of membership);

3) entrepreneurs are natural persons independently performing economic activities for profit and who keep their books of accounts on the basis of the double entry accounting system, unless otherwise specified in special regulations;

4) International Financial Reporting Standards (hereinafter: the IFRS), in the context of this Law, are: Framework for the Preparation and Presentation of Financial Statements, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), subsequent amendments to those standards and their interpretations, approved by the International Accounting Standards Board (IASB), whose translation has been ascertained and published by the Ministry in charge of financial affairs (hereinafter: the

Ministry). The translation of the IFRS that is ascertained and published by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee, in the form in which they are issued, and that do not contain the bases for conclusions, illustrating examples, guidelines, comments, opposing opinions, detailed examples, and other supplemental explanatory materials that may be adopted in connection with the standards, i.e. interpretations, unless it is stated explicitly that they represent an integral part of the standards, i.e. interpretations;

5) International Financial Reporting Standards for small and medium entities (hereinafter: IFRS for SME) shall be the International Financial Reporting Standard for Small and Medium-sized entities (IFRS for SMEs), approved by the International Accounting Standards Board (IASB), whose translation has been ascertained and published by the Ministry;

6) a regular annual financial statement is the statement that should provide a truthful and fair review of financial position and performance of business operations of the legal person and that is compiled for the financial year or that differs from the calendar year;

7) a regular annual financial statement of legal persons that apply IFRS, i.e. IFRS for SMEs shall comprise the following:

(1) Balance Sheet, which provides an overview of assets, liabilities, and capital of the legal person on a particular date;

(2) Income Statement, which provides an overview of revenues, expenses, and business results incurred in a given period of time;

(3) Other Operating Result, which comprises items of revenues and expenses (including reclassifications due to corrections) that are not recognized in the Income Statement, as required or permitted pursuant to other IFRS. The components of other results shall comprise items that are, pursuant to requirements of individual IFRSs, recognized within the framework of the capital;

(4) Statement on Changes in Equity, which explains the changes in capital of legal persons in a reporting period;

(5) Cash Flow Statement, which provides information on inflows and outflows of cash and cash equivalents in a reporting period;

(6) Notes to Financial Statements, which contain descriptions or analyses of items disclosed in statements referred to in sub-items (1)-(5) of this item, accounting policies applied, and information on items not qualified for recognition in the statements, but are of significance for assessing the financial position and performance of business operations of a legal person, and other information in compliance with the IFRS requirements;

8) regular annual financial statement of other legal persons referred to in item 2) of this Article, apart from other legal persons classified as micro legal persons referred to in Article 6, Paragraph 2 of this Law, shall comprise the following:

(1) Balance Sheet;

(2) Income Statement;

(3) Notes to Financial Statements;

9) regular annual financial statement of micro legal persons and entrepreneurs shall cover the following:

(1) Balance Sheet;

(2) Income Statement;

10) consolidated annual financial statement shall be the financial statement of an economic unit comprising of the parent legal persons and all subsidiaries. A consolidated annual

financial statement shall comprise the following:

- (1) Consolidated Balance Sheet;
- (2) Consolidated Income Statement;
- (3) Consolidated Other Result Statement;
- (4) Consolidated Statement of Changes in Equity;
- (5) Consolidated Statement of Cash Flows for the period;
- (6) Notes to Consolidated Financial Statements;

11) Extraordinary financial statements shall be compiled in cases of status changes, opening, i.e. concluding bankruptcy proceedings, or opening, i.e. concluding of liquidation proceedings over a legal person, as at the date that precedes the date of entry of the status change, the date of opening, i.e. concluding bankruptcy proceedings, or opening, i.e. concluding of liquidation proceedings. An extraordinary financial statement shall also be compiled in cases of deleting a branch office of a foreign legal person referred to in Article 4, Paragraph 3 of this Law, i.e. entrepreneur referred to in Item 3) of this Article. Extraordinary financial statements shall include the following:

- (1) Balance Sheet;
- (2) Income Statement;

12) legal regulations shall include this Law and the bylaws adopted for implementation of the Law;

13) internal regulations, in the context of this Law, shall imply general enactments adopted by the legal person, i.e. entrepreneur, which contain special instructions and guidelines for the organization of accounting and bookkeeping, accounting policy for recognition, valuation of assets and liabilities, revenues and expenses, as well as other issues relating to the bookkeeping and compiling financial statements for which it is prescribed by this Law that they shall be regulated by a general enactment of the legal person, i.e. entrepreneur.

Ascertaining and Publishing Translations of IFRS and IFRS for SMEs

Article 3

The translations of IFRS, i.e. IFRS for SME, shall be ascertained by the Ministry by issuing a decision.

The decision referred to in Paragraph 1 of this Article, which shall also ascertain the starting date of application of IFRS, i.e. IFRS for SME, together with the text of translation of IFRS, i.e. IFRS for SMEs, shall be published by the Ministry in the Official Gazette of the Republic of Serbia and on the website of the Ministry.

Persons Required to Apply the Law

Article 4

The provisions of this Law shall apply to legal persons referred to in Article 2, Items 1) and 2) of this Law and entrepreneurs referred to in Article 2, Item 3) of this Law.

The provisions of this Law shall also apply to legal persons and other forms of organization that the legal person had founded abroad, unless the regulations of those countries stipulate for them the obligation of bookkeeping and preparation of financial statements.

The provisions of this Law shall also apply to branch offices and other organizational parts of foreign legal persons with headquarters abroad that are performing economic activities in the Republic of Serbia, unless otherwise stipulated by special regulations.

The provisions of this Law shall not apply to budgets and users of budget resources, housing buildings, and organizations of mandatory social insurance, unless otherwise stipulated by special regulations.

The provisions of this Law shall not apply to churches and religious communities, except in the part of performing economic or other activities, in compliance with regulations that regulate the performance of those activities.

Obligations of Legal Persons and Entrepreneurs

Article 5

Legal persons and entrepreneurs shall keep books of accounts, the recognition and the valuation of assets and liabilities, revenues and expenses, compilation, submission, and disclosure of information in financial statements in compliance with this Law.

Classification of Legal Persons

Article 6

Legal persons shall, in the context of this Law, be classified into micro, small, medium, and large, depending on the average number of employees, operating revenues, and average value of operating assets determined as of the date of compiling their regular financial statement for the financial year.

Legal persons that do not exceed two out of three of the following criteria shall be classified as micro legal persons:

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

Legal persons that do exceed two out of three of the criteria referred to in Paragraph 2 of this Article, but do not exceed two out of the following criteria, shall be classified as small legal persons:

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

Those legal persons that exceed two out of three of the criteria referred to in Paragraph 3 of this Article, but do not exceed two out of the following criteria, shall be classified as medium legal persons:

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

Legal persons that exceed two out of the criteria referred to in Paragraph 4 of this Article shall be classified as large legal persons.

The classification in compliance with the aforementioned criteria shall be performed independently by the legal person as of the date of compiling financial statements, and the information obtained shall be used for the following financial year.

In order to convert the amounts in foreign currencies referred to in paragraphs 2–4 of this Article into their equivalent in dinars, the official middle exchange rate shall apply, established by the National Bank of Serbia, and current on the last day of the financial year for which the regular annual financial statement is prepared.

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

Legal persons shall submit the Notice on Classification, in the context of this Law, attached to the financial statements, to the Agency for Company Registers (hereinafter: the Agency), which shall verify the submitted Notice on Classification.

If a legal person refuses to adjust the Notice on Classification with the request of the Agency, the data on the size of the legal persons ascertained by the Agency shall be used in the following financial year.

The National Bank of Serbia, banks and other financial institutions supervised by the National Bank of Serbia, insurance companies, financial leasing providers, voluntary pension funds, management companies of voluntary pension funds, open and closed-end investment funds, management companies of investment funds, stock exchanges and broker-dealer companies, and factoring companies in the context of this Law shall be treated as large legal persons.

In the context of this Law, entrepreneurs shall be treated as micro legal persons.

II. ORGANIZATION OF ACCOUNTING AND OFFICIAL ACCOUNTING DOCUMENTS

Organization of Accounting

Article 7

Legal persons, i.e. entrepreneurs shall, in a general enactment, in compliance with this Law, regulate the organization of accounting in the manner that facilitates comprehensive recording, as well as preventing and detecting of incorrectly recorded business transactions, regulate internal accounting controlling procedures, stipulate accounting policies, nominate persons who are responsible for the legality and correctness of the onset of the business transaction and the compiling and control over official accounting documents on the business transaction, regulate the movement of official accounting documents and stipulate the deadlines for their submission for further processing and accounting entry into books of accounts.

The entry of data into books of accounts shall be organized to enable:

- 1) control of data entered;
- 2) control of accuracy of the data entered;
- 3) inspection of the transactions and the balance of the books of accounts;
- 4) inspection of the chronology of the performed entry of business transactions;

5) keeping and using data.

Legal persons and entrepreneurs performing the processing of data on computers shall use standard accounting software that facilitates the functioning of the system of internal accounting controls and prevents the deletion of business transactions already entered into accounting.

Accounting Documents

Article 8

Accounting entry of business transactions in the accounts for assets, liabilities and capital, revenues and expenses, shall be performed on the basis of trustworthy accounting documents.

Accounting documents shall represent written documents or electronic entries on business transactions, which include all information necessary for accounting entry into books of accounts, so that it is possible to clearly establish the origin, type and content of the business transaction.

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

An accounting document available as a single copy may be dispatched only if the data from that document are continuously accessible.

A photocopy of an accounting document shall be the basis for the accounting entry of the business transaction, under the condition that it specifies the place of keeping the original official document and that it is signed by the responsible person.

An official document submitted, i.e. received by telecommunications shall also be treated as an official accounting document, as well as a document submitted, i.e. received through the service for electronic data exchange (EDI).

The sender shall be responsible for ensuring that the data at the entry into the telecommunications system are based on accounting documents, and for keeping the original official accounting documents.

When an accounting document is being transferred through an electronic data exchange service, the provider of electronic data exchange services shall ensure the integrity of the data being exchanged.

Responsibility for Accounting Documents

Article 9

The responsible person, with their signature, i.e. other identification, shall confirm that the official accounting document is authentic (complete, true, arithmetically accurate, and presenting the business transaction).

An accounting document, compiled in the form of an electronic entry, should contain the signature or another identification of the responsible person, i.e. person in charge of issuing the accounting document, i.e. electronic signature, in compliance with the Law.

Before entering data from accounting documents into business book of accounts, a legal person shall check the authenticity of the official document and sign it.

The control of accounting documents cannot be performed by persons in charge of the tangible items (values) to which the documents relate.

Deadlines for Submission of Accounting Documents and Deadlines for Accounting Entries

Article 10

Persons who prepare and receive accounting documents shall submit the accounting documents and other documents relating to the incurred transaction for accounting entry within three working days, at the latest, from the date on which the business transaction occurred, i.e. within three working days of the date of receipt.

After having reviewed the accounting documents received, the persons keeping business book of accounts shall enter the accounting document into the books of account at the latest within five working days of the day of their receipt.

III. BOOKS OF ACCOUNT AND CHART OF ACCOUNTS

Types of Books of Accounts

Article 11

Books of accounts shall represent uniform records on the state and changes in assets, liabilities and capital, revenues and expenses of legal persons and entrepreneurs.

Books of accounts shall comprise the journal, the general ledger and subsidiary ledgers.

The journal and the general ledger shall be kept in accordance with the double entry accounting system.

The journal shall be the books of account in which records on business transactions shall be entered in order of their occurrence.

The journal may be kept as a single book of account or as several books of accounts intended for business transactions in specific balance sheet items or off-balance sheet items.

The general ledger shall represent the complete set of accounts, which are in balance, for systematic coverage of balance and changes in the assets, liabilities, capital, revenues, and expenditures, and it shall represent the basis for compiling financial statements. The general ledger shall comprise two separate parts, specifically: balance sheet records and off-balance sheet records.

The general ledger should contain the accounts stipulated by the Chart of Accounts, in compliance with the needs of the legal person.

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

Subsidiary ledgers relating to tangible assets shall be expressed in quantities and cash amounts.

The cash register journal shall include entries of business transactions that occur on the basis of cash and other values kept in the cash register of legal persons and entrepreneurs. The cash register journal shall be closed at the end of each working day and submitted to the accounting on the same, or, at the latest, on the following day.

Method of Keeping Books of Accounts

Article 12

Data shall be entered into books of accounts on the basis of accounting documents.

Books of accounts shall be kept following the principle of unalterable entries of business changes.

Books of accounts shall be kept in the manner that should facilitate the control of incoming data, accuracy of entered data, keeping of data, possibility of using the data, possibility of inspection of the flow and balance in the accounts of the general ledger and the subsidiary ledgers, i.e. transactions, and inspection of chronology of the performed entry of business transactions.

Books of accounts shall be kept for the financial year that equals the calendar year, except in the case in which the business book of accounts are being kept for the financial year that differs from the calendar year, pursuant to this Law.

Books of accounts may be kept on separate sheets, bound or transferred into one of the electronic or magnetic media, so that, if necessary, they may be printed or presented on a screen.

The opening of books of accounts shall be performed at the beginning of the financial year based on the closing balance sheet of the previous year.

Newly established legal persons and entrepreneurs shall open their books of accounts based on the opening balance sheet drafted on the basis of the list of assets and liabilities as at the day of registration with the Agency or other competent authority.

Chart of Accounts

Article 13

Legal persons and entrepreneurs shall enter business transactions into their accounting systems in the accounts prescribed in the Chart of Accounts.

The Chart of Accounts and the content of accounts within the Chart of Accounts shall be prescribed by the following:

- 1) Minister in charge of financial affairs - for companies, cooperatives, and entrepreneurs;
- 2) Minister in charge of financial 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 management companies of voluntary pension funds, in compliance with this Law and other laws regulating business operations of banks and other financial institutions, supervised by the National Bank of Serbia, pursuant to the Law;
- 4) Securities Commission – for investment funds and management companies of investment funds, as well as for stock exchanges and broker-dealer companies.

Persons Keeping Books of Accounts and Compiling Financial Statements

Article 14

Legal persons, i.e. entrepreneurs shall regulate in their general enactment the educational qualifications, work experience, and other conditions for persons responsible for keeping books of accounts and compiling financial statements.

Delegation of Keeping of Books of Accounts and Compiling of Financial Statements to Another Company, i.e. Entrepreneur

Article 15

The keeping of books of accounts and compiling of financial statements may be delegated by a legal person, i.e. entrepreneur, under a contract in written form, pursuant to the Law, to a company or entrepreneur who has a registered predominant activity in providing accounting services.

The provision of paragraph 1 of this Article shall not apply to the National Bank of Serbia, banks and other financial institutions supervised by the National Bank of Serbia, pursuant to the Law, insurance companies, financial leasing providers, voluntary pension funds, voluntary pension funds management companies, investment funds, investment funds management companies, stock exchanges, broker-dealer companies and factoring companies.

IV. INVENTORY OF ASSETS AND LIABILITIES

Mandatory Inventory

Article 16

At the start of their business operations, legal persons, i.e. entrepreneurs shall perform the inventory of assets and liabilities, with an indication of individual values in quantities and in cash amounts.

Legal persons, i.e. entrepreneurs shall perform the inventory of assets and liabilities and reconcile the balance in the books of accounts with the inventory at the end of the financial year.

The reconciliation of the flows and the balance in the general ledger with the journal, and of the subsidiary ledgers with the general ledger, shall be performed before the inventory of assets and liabilities and prior to compilation of annual financial statements.

Legal persons, i.e. entrepreneurs may envisage, in their general enactments, even longer periods for performing the inventories of books, films, archives and similar, provided that these periods may not be longer than five years.

The method and the time period for the inventories and reconciliation of book balances with the actual state shall be prescribed by the Minister in charge of financial affairs.

Additional Obligation to Perform Inventory

Article 17

In addition to the inventory of assets and liabilities referred to in Article 16 of this Law, legal persons, i.e. entrepreneurs shall also perform the inventory and reconciliation of the balance in the course of the takeover of duties of the accounting entry officers, changes in sales prices of products and goods in retail facilities, status changes, opening or closing bankruptcy and liquidation proceedings of legal person, and in other cases provided by the Law.

Reconciliation of Receivables and Liabilities

Article 18

Before compiling their financial statements, legal persons and entrepreneurs shall reconcile their mutual receivables and liabilities, evidenced by relevant documents.

Creditors shall submit to the debtors the list of outstanding liabilities before the completion of financial statements.

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

Legal persons that compile the Notes to Financial Statements shall disclose in that statement the outstanding not reconciled receivables and liabilities, in their full amounts.

V. EVALUATION RULES

General Accounting Principles

Article 19

The items that are disclosed in regular financial statements of legal persons should be evaluated in compliance with general accounting principles, as follows:

- 1) assumption of ongoing concern of the company;
- 2) consistent application of evaluation methods from year to year;
- 3) evaluation by applying the principle of caution, and in particular:
 - (1) disclosing in the Balance Sheet the liabilities incurred in the course of the current or preceding financial years, even if such liabilities become evident only between the date of the Balance Sheet and the date of its compilation;
 - (2) All impairments shall be taken into account, regardless of whether the result of a financial 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) the opening balance for each financial year shall be equal to the closing balance for the preceding financial year.

As an exception to paragraph 1 of this Article, deviations from the general accounting principles shall only be allowed in cases of application of individual IFRS, i.e. IFRS for SMEs, and such deviations and the reasons because of which they occur, shall be disclosed in the Notes to Financial Statements, including the assessment of their effects on the assets, liabilities, financial position, and profit or loss of the legal person, i.e. entrepreneur.

Application of IFRS

Article 20

For the purposes of recognition, evaluation, presentation, and disclosure of positions in financial statements, large legal persons, legal persons required to draw up consolidated financial statements (parent legal persons), public companies, i.e. companies going public, pursuant to the capital market law, shall apply the IFRS, regardless of their size.

Application of IFRS for SMEs

Article 21

For the purposes of recognition, evaluation, presentation, and disclosure of positions in financial statements, small and medium legal persons shall apply the IFRS for SMEs.

As an exception to paragraph 1 of this Article, medium-sized legal persons may decide to apply the IFRS referred to in Article 20 of this Law.

In the case referred to in paragraph 2 of this Article, the medium-sized legal persons shall apply the IFRS in continuity, except if they become small legal persons in compliance with this Law.

Micro and Other Legal Persons

Article 22

For the purposes of recognition, evaluation, presentation, and disclosure of positions in individual financial statements, micro and other legal persons referred to in Article 2, Item 2) of this Law, shall, regardless of their size, apply the bylaw adopted by the Minister in charge of financial affairs, and which shall be based on general accounting principles.

As an exception to paragraph 1 of this Article, micro and other legal persons referred to in Article 2 Item 2) of this Law, may decide to apply the IFRS for SMEs referred to in Article 21 of this Law, regardless of their size.

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, shall, regardless of their size, continuously apply the IFRS for SMEs.

VI. CLOSING OF BOOKS OF ACCOUNTS AND RETENTION OF ACCOUNTING DOCUMENTS, BOOKS OF ACCOUNTS AND FINANCIAL STATEMENTS

Closing of Books of Accounts

Article 23

Books of accounts shall be closed after all business transactions and calculations at the end of the financial year have been entered, and in the case of status changes, discontinuation of business operations, and in other cases in which it is necessary to close the books of accounts.

Subsidiary ledgers that are used for more than one year shall be closed after the termination of their use.

Books of accounts shall be closed until the deadline for submission of financial statements, at the latest.

Retention of Accounting Documents, Books of Accounts and Financial Statements

Article 24

Legal persons and entrepreneurs shall keep in a well-organized manner their accounting documents, books of accounts and financial statements and stipulate in an official enactment the responsible persons and the business premises for their keeping, and the method of keeping.

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

Annual reports on operations shall be kept for 10 years from the final day of the financial year for which they had been compiled.

Journals and general ledgers shall be kept for 10 years.

Subsidiary ledgers shall be kept for five years, from the date of their closing.

Payrolls and analytical records of salaries shall be kept permanently.

Documents on the basis of which data are entered into books of accounts shall be kept for five years.

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

The timeframes for keeping accounting documents and books of accounts shall be calculated from the last date of the financial year to which they relate.

Accounting documents, books of accounts and financial statements shall be kept in originals or by other means of archiving, stipulated by the Law.

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

1) the data kept in electronic documents or entries may be accessed and that they are suitable further processing;

2) the data are kept in the form in which they had been drafted, 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 have been implemented sufficiently providing for the protection from modification or deletion of data, or other reliable means that guarantee the unalterable nature of data or messages, as well as a backup database on another location.

Accounting documents, business book of accounts and financial statements shall be kept in the business premises of the legal person, i.e. entrepreneur, i.e. with the legal persons or entrepreneurs entrusted with the keeping of the business book of accounts.

If the books of accounts are being kept on computers, the legal person, i.e. entrepreneur shall have to ensure, in parallel with the memorized data, the memory store of the applicative software, in order for the data to be accessible for inspection.

In the course of opening of liquidation or bankruptcy proceedings, the accounting documents and books of accounts shall be transferred to the liquidation, i.e. bankruptcy trustee, with the delivery record.

The Minister in charge of financial affairs may adopt a bylaw regulating in more detail the conditions and the method for keeping accounting documents in electronic form, i.e. on electronic media.

VII. FINANCIAL STATEMENTS AND ANNUAL REPORT ON OPERATIONS

Regular Annual Financial Statement

Article 25

Legal persons, i.e. entrepreneurs shall compile regular annual financial statements for the financial year which corresponds to the calendar year, in compliance with this Law and the bylaws adopted on the basis of this Law.

As an exception to paragraph 1 of this Article, a subsidiary legal person with headquarters in the Republic of Serbia, whose parent company domiciled abroad has a financial year that differs from the calendar year, may, pending the consent of the Minister in charge of financial affairs, i.e. the National Bank of Serbia for the legal persons under its scope of responsibility (other than banks), i.e. the Securities Commission, for the legal persons within its remit, compile and disclose annual financial statements with the balance as of the last day of the financial year that differs from the calendar year.

Legal persons whose operations are regulated by other regulations, under which the body, or organization responsible for overseeing their operations prescribed the content and structure of annual financial statements, shall prepare annual financial statements in compliance with this Law and those regulations.

Legal persons shall compile extraordinary financial statements in the cases envisaged under this Law.

Authority over Prescribing Financial Statements

Article 26

The Minister in charge of financial affairs shall specify the content and format of the financial statement forms referred to in Article 2 of this Law for information purposes and statistical processing for companies, cooperatives and entrepreneurs.

The Minister in charge of financial affairs shall specify the content and format of the financial statement forms referred to in Article 2 of this Law for information purposes and statistical processing for other legal persons referred to in Article 2 Item 2) of this Law.

The National Bank of Serbia shall prescribe the content and format of the financial statement forms referred to in Article 2 of this Law for information purposes 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 compliance with this Law and other laws regulating operations of banks and other financial institutions, supervised by the National Bank of Serbia.

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

Consolidated Annual Financial Statement

Article 27

Legal persons that have control (controlling, i.e. parent legal person) of one or more legal persons (subordinated, i.e. subsidiary legal person), shall draw up, file, present and disclose consolidated financial statements in compliance with this Law and IFRS requirements.

The consolidated annual financial statements shall be prepared by the legal person that is, within the economic unit, the parent legal person.

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

Provisions on financial statements of Articles 20 and 21 of this Law shall apply accordingly to the recognition, evaluation, presentation, and disclosure of items in the consolidated annual financial statements.

As an exception to paragraph 1 of this Article, if the value of assets and operating revenues of the parent legal persons and subsidiaries, excluding mutual participations, receivables and payables, mutual results and mutual operating income and expenses of the parent legal persons and its subsidiaries, do not exceed, in their sum, one half of the criteria for small entities, in the context of Article 6, paragraph 3 of this Law, the parent legal person shall not be required to prepare, file and disclose consolidated financial statements.

Paragraph 5 of this Article shall not apply to parent legal persons that are public companies, i.e. companies preparing to become public in compliance with the law governing the capital market.

The parent legal person, that is simultaneously a subsidiary in a higher economic unit, shall not be required to prepare consolidated annual financial statements in compliance with this Law, unless its parent company is headquartered abroad.

Audit of Financial Statements

Article 28

Auditing of regular and consolidated annual financial statements shall be performed in compliance with the regulations governing audits.

Annual Report on Operations

Article 29

Legal persons shall compile annual reports on operations.

An annual report on operations shall contain the following:

- 1) brief description of 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, and information on staff matters;
- 3) information on environment protection investments;
- 4) all events of significance after the end of the financial year;
- 5) planned future development;
- 6) research and development activities;
- 7) information on buy-back of own shares, i.e. holdings;
- 8) existence of branch offices;
- 9) information on currently used financial instruments if that is of significance for the assessment of the financial position and operating performance;
- 10) financial risk management objectives and policies, together with the policy of hedging of each more significant type of planned transaction for which the hedging shall be used;
- 11) exposure to price risk, credit risk, liquidity risk and cash flow risk, the strategy for managing those risks, and the assessment of their effectiveness.

The annual report on operations of public companies, i.e. companies going public in compliance with the Law regulating the capital market, call also contain an overview of corporate governance rules.

As an exception to paragraph 1 of this Article, micro, small, and medium entities, except for public companies referred to in paragraph 3 of this Article, shall not be required to compile the annual report on operations, but they shall specify information on the buy-back of own shares, i.e. holdings in the Notes to Financial Statements, if they are required to compile them.

Merger of the Annual Report on Operations and Consolidated Annual Report on Operations into a Single Report

Article 30

Parent legal persons may decide to present the annual report on operations and the consolidated annual report on operations as a single report that should contain information of significance for the entire economic unit.

Language and Currency of the Statements

Article 31

Books of accounts, financial statements, annual report on operations, decision on adoption of financial statements, auditor's report on audit of financial statements, decision on allocation of profit, i.e. coverage of losses, and other financial information shall be drawn up in Serbian.

Amounts in business book of accounts, financial statements, decisions, as well as other financial information referred to in Paragraph 1 of this Article shall be expressed in dinars.

Adoption and Responsibility for Financial Statements

Article 32

Financial statements shall be adopted by the general meeting or another competent body of the legal person, i.e. entrepreneur.

True and fair presentation of the financial position and operating performance of the legal person, shall be the responsibility of the legal representative, management body and supervisory body of a legal person in accordance with the Law, i.e. of the entrepreneur, and of the responsible person referred to in Article 14 of this Law.

The legal representative of a legal person i.e. entrepreneur shall sign the financial statements.

VIII. SUBMISSION OF FINANCIAL STATEMENTS

Submission of Financial Statements for Public Disclosure

Article 33

Legal persons, i.e. entrepreneurs shall submit regular annual financial statements for the reporting year to the Agency, for public disclosure, no later than by June 30 of the following year, unless otherwise regulated by another law.

Legal persons, whose financial year differs from the calendar year, shall submit regular annual financial statements for the reporting year to the Agency, for public disclosure, not later than six months, from the date on which those statements are compiled.

Legal persons compiling consolidated annual financial statements (parent legal persons) shall submit the consolidated annual financial statements for the reporting year to the Agency, for public disclosure, no later than July 31, of the following year, unless otherwise regulated by another law.

Legal persons, i.e. entrepreneurs who compile extraordinary financial statements shall submit them to the Agency, for public disclosure, within 60 days from the date on which those statements are compiled.

Legal persons that had no business events, and no data in the books of accounts on assets or liabilities, shall submit to the Agency, by the end of February of the following year, a statement of inactivity that applies to the reporting year.

The financial statements referred to in paragraphs 1–4 of this Article and the statement referred to in paragraph 5 of this Article, signed using a qualified electronic signature of the legal representative, shall be entered into a separate information management system of the Agency, and submitted to the Agency in electronic form.

Submission of Documentation Accompanying Financial Statements

Article 34

In addition to regular and consolidated annual financial statements referred to in Article 33 of this Law, legal persons shall submit the following to the Agency, in originals:

- 1) decision on the adoption of regular, i.e. consolidated annual financial statements;
- 2) decision on distribution of profit or loss coverage, upon the regular financial statement, if it is decided to allocate the profit, i.e. to cover losses;
- 3) annual report on operations in compliance with this Law.

Legal persons required to revise their financial statements in compliance with the Law regulating audit, shall submit to the Agency, in addition to the documentation referred in paragraph 1 of this Article, the original of the audit report, drawn up in compliance with the Law and International Audit Standards, to which the audited financial statements shall be attached.

Submission of Data for Statistical and Other Purposes

Article 35

By the end of February of the following year, legal persons and entrepreneurs shall submit to the Agency, for statistical and other purposes: Balance Sheet, Income Statement and the Statistical Report for the financial year that corresponds to the calendar year.

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

The data from the report referred to in paragraphs 1 and 2 of this Article shall not be transferred to third parties without explicit consent of the legal persons and entrepreneurs, nor can they be publicly shared.

The format and the content of the Statistical Report shall be prescribed by the Minister in charge of financial affairs, the National Bank of Serbia, i.e. the Securities Exchange Commission, pursuant to their authorities under this Law.

For legal persons and entrepreneurs who, in addition to reports for statistical processing referred to in paragraphs 1 and 2 of this Article, also submitted the other financial statements and documentation referred to in Articles 33 and 34 of this Law, i.e. the statement that they submit regular annual financial statements, it shall be deemed that they have also fulfilled their obligation to submit the statements for public disclosure.

The reports referred to in paragraphs 1 and 2 of this Article, signed using a qualified electronic signature of the legal representative, shall be entered into a special information management system of the Agency and submitted to the Agency in electronic form.

IX. REGISTER OF FINANCIAL STATEMENTS

Public Disclosure of Financial Statements

Article 36

The Agency shall publish the data from the complete and accurate financial statements and documents referred to in Articles 33 and 34 of this Law on its website, in the Register of Financial Statements, in full content for the persons required to undergo statutory audit in compliance with the Law governing audits, and in an abbreviated form for other legal persons and entrepreneurs.

The Agency shall publicly disclose data and documents referred to in paragraph 1 of this Article, on the website within the timeframe of 60 days from the date of receiving a complete and arithmetically correct financial statement from a legal person, i.e. entrepreneur.

The Agency shall publicly disclose financial statements and documentation referred to in Articles 33 and 34 of this Law, in which the legal persons and entrepreneurs failed to remove the deficiencies noticed, on its website, as incomplete and arithmetically incorrect, in their full or abbreviated content, no later than October 31 of the following year for the reporting year.

The Agency shall provide access to financial statements and documents referred to in paragraphs 1 and 3 of this Article for the last three reporting years to users of its website, free of charge.

Content of the Register of Financial Statements

Article 37

The Register of Financial Statements shall be a central, public, single database comprising complete and arithmetically accurate financial statements and documents referred to in Articles 33 and 34 of this Law.

A separate database shall be kept within the Register of Financial Statements for statistical and other requirements referred to in Article 35 of this Law.

On the basis of data referred to in paragraph 1 of this Article and aggregate data referred to in Paragraph 2 of this Article, data from other registries and records kept by the Agency, and data provided by other competent authorities and users of Agency services, the Agency shall keep a solvency database, within the Register of Financial Statements.

The data on solvency referred to in paragraph 3 of this Article shall be standardized in time series and harmonized with international standards, European Union directives, and rules of financial analysis.

The data in the Register of financial statements shall be kept for the purposes of analyzing economic trends in the Republic of Serbia, analysis of the financial position and performance of legal persons and entrepreneurs, and risk assessments in business operations, and with the objective of ensuring reliable information to users.

Keeping the Register of Financial Statements

Article 38

For the purposes of keeping the Register of Financial Statements, the Agency shall be authorized to collect, record, process, archive, and publicly disclose financial statements and documents referred to in Articles 33 and 34 of this Law, to distribute data from these reports, and to manage databases and ensure the protection of databases and documents that are archived.

The Agency shall keep the Register of Financial Statements through the registrar appointed in compliance with the Law governing the Agency operations.

The Agency shall be responsible for the authenticity of electronic entry of data from financial statements, for disclosure and processing of other data and documents recorded in the Register of Financial Statements.

The Agency shall keep financial statements, annual reports on operations, audit reports and other documents referred to in Articles 33 and 34 of this Law for ten years from the date of their receipt.

Authority for Adopting Bylaws relating to the Register of Financial Statements

Article 39

More detailed conditions and method of receiving and verifying compliance with public disclosure of financial statements and documents requirements, referred to in Articles 33 and 34 of this Law, the keeping of the Register of Financial Statements, collection of data from other competent authorities and legal persons and entrepreneurs, as well as the provision of services from the Register of Financial Statements shall be prescribed by the Minister in charge of financial affairs on proposal of the Agency.

Fees for Disclosing Financial Statements and Costs for Providing Data from the Register of Financial Statements

Article 40

The fees for publication of financial statements and documentation referred to in Articles 33 and 34 of this Law, and the costs for the provision of data and other services from the Register of Financial Statements, shall be prescribed by the Agency in compliance with the Law regulating the budget system.

Use of Data from the Register of Financial Statements

Article 41

The Register of Financial Statements shall share financial statements of legal persons and entrepreneurs with the competent registers of the Agency in which their status data are registered.

The Agency shall enable to the National Bank of Serbia, direct access and transfer of financial statements, i.e. all the data from the financial statements and documentation referred to in Articles 33-35 of this Law, and all other data the National Bank of Serbia needs to perform its stipulated tasks, free of charge.

The Agency shall enable access or the transfer of data to the Tax Administration pertaining to financial statements and documents referred to in Articles 33 and 34 of this Law, and the data for statistical and other requirements referred to in Article 35 of this Law, free of charge.

The Agency shall enable access or the transfer of data to the Republic Statistical Office, for statistical and other purposes as referred to in Article 35 of this Law, free of charge.

The Agency shall provide original data or copies of the annual financial statement, annual report on operations, or reports of the auditors, and provide other services from the Register of Financial Statements at request of users.

In the context of this Article, the users of data may use the documents and data retrieved from the Register of Financial Statements only for their own needs, in compliance with the regulations, and may not share them with third persons, distribute or publish them in their original form.

X. NATIONAL COMMISSION FOR ACCOUNTING

Formation and Scope of Work of the National Accounting Commission

Article 42

Upon proposal of the Ministry, the Government shall form the National Commission for Accounting (hereinafter: the Commission) tasked with the following:

- 1) to monitor the process of application of European Union directives from the area of accounting and propose corresponding solutions for the national legislation;
- 2) to monitor the process of application of IFRS and IFRS for SMEs and provide opinions to the Ministry on translations of those standards, and solutions for potential problems that may occur in the process of application of those standards.

Report on Operations

Article 43

At least once a month, the Commission shall submit to the Ministry a report on its operations.

Composition and Financing of the Commission

Article 44

On proposal of the Minister in charge of financial affairs, the Government shall appoint the Chairman and six Commissioners from the ranks of professional persons with knowledge and experience in the area of finance, accounting and auditing, of which, one member shall be appointed on proposal of the Securities Commission and one on proposal of the National Bank of Serbia.

The Ministry shall provide professional and administrative tasks for the Commission.

The compensation for the work of the Chairman and the Commissioners shall be provided from the Republic of Serbia budget.

The compensation paid to the Chairman and Commissioners shall be determined by the Government, on proposal of the Ministry.

XI. SUPERVISION

Supervising Institutions

Article 45

The Tax Administration shall supervise legal persons and entrepreneurs to check accuracy of book of accounts entries, pursuant to the provisions of tax procedure and tax administration regulations.

The National Bank of Serbia shall supervise banks and other financial institutions, insurance companies, providers of financial leasing, voluntary pension funds and management companies of voluntary pension funds, to check accuracy of book of accounts entries.

XII. PENALTY PROVISIONS

Economic Offense

Article 46

A legal person shall be sanctioned for an economic offense, with a fine between RSD 100,000 and 3,000,000, if:

1) it fails to classify into the micro, small, medium, or large legal person in compliance with this Law (Article 6);

2) it fails to regulate the organization of its accounting in a general enactment in the manner stipulated in Article 7, Paragraph 1 of this Law;

3) it performs the processing of data on a computer, but fails to provide accounting software that facilitates the functioning of the system of internal accounting controls and prevents the deletion of business transactions entered into accounting (Article 7, Paragraph 3);

4) it fails to compile accounting documents in compliance with this Law (Article 8);

5) it fails to perform the inspection of accounting statements before entry into books of accounts (Article 9);

6) it fails to submit accounting documents and documentation to accounting entry within the prescribed deadline and fails to enter a business transaction in the book of accounts within the prescribed timeframe (Article 10);

7) it fails to keep books of accounts in compliance with this Law (Article 12);

8) it fails to open books of accounts in compliance with this Law (Article 12);

9) it fails to appoint, by a general enactment, a person entrusted with the keeping of business book of accounts and compiling financial statements (Article 14);

10) it fails to perform the inventory the assets and obligations in compliance with this Law (Article 16);

11) as a creditor, it fails to submit to its debtor the balance of outstanding invoices and fails to disclose in the Notes Accompanying Financial Statements not reconciled receivables and liabilities (Article 18, Paragraphs 2 and 4);

12) it fails to compile and disclose financial statements in compliance with this Law (Articles 20-22);

13) it fails to close the book of accounts in compliance with this Law (Article 23);

14) it fails to keep accounting documents, books of accounts, financial statements, annual report on operations, and auditors' reports within the timeframes and in the manner stipulated by this Law (Article 24);

15) it fails to protect book of accounts kept on electronic media in compliance with this Law (Article 24);

16) it fails to compile financial statements in compliance with this Law (Articles 25 and 27);

17) it fails to perform the audit of financial statements (Article 28);

18) it fails to compile annual report on operations (Article 29);

19) it fails to compile business book of accounts, reports, decisions, and other financial information in Serbian and in dinars (Article 31);

20) it fails to submit to the Agency financial statements, annual report on operations, audit report, and other documentation specified in Article 34 of this Law for the purposes of disclosure, i.e. fails to submit data for statistical and other needs within the timeframes prescribed by this Law (Articles 33-35);

21) if it is using the data from the Register of Financial Statements in contravention of Article 41 of this Law.

The responsible person of the legal person shall also be sanctioned for an economic offense with a financial fine amounting to between RSD 20,000 and 150,000, for the actions referred to in Paragraph 1 of this Article.

Misdemeanors

Article 47

An entrepreneur shall be fined for a misdemeanor, with a fine amounting to between dinars 100,000 and 500,000, for actions referred to in Article 46, Items 2)-16), and Items 19) - 21) of this Law.

A natural person shall be sanctioned for misdemeanor, with a financial fine amounting to between RSD 20,000 and 150,000, if they are using the data from the Register of Financial Statements in contravention of Article 41 of this Law.

XIII. TRANSITIONAL AND FINAL PROVISIONS

National Commission for Accounting

Article 48

The National Commission for Accounting, founded in compliance with the Law on Accounting and Auditing (Official Gazette of RS, No 46/06, 111/09 and 99/11 – other law), shall continue with operations pursuant to this Law.

Deadline for Adoption of Bylaws

Article 49

The bylaws for implementation of this Law shall be adopted within six months from the date of entry into force of this Law, and shall start to be applied to financial statements to be compiled on the date of 31 December, 2014.

Until the beginning of application of the bylaws referred to in paragraph 1 of this Article, the bylaws adopted on the grounds of the Law on Accounting and Auditing (Official Gazette of RS, No 46/06, 111/09 and 99/11 – other law) shall apply.

Application of IFRS for SMEs

Article 50

The provision of Article 21 of this Law shall start to apply starting from the financial statements that are to be compiled on the date of December 31, 2014.

As an exception to paragraph 1 of this Article, the legal persons that, in compliance with the Law on Accounting and Auditing (Official Gazette of RS, No 46/06, 111/09 and 99/11 – other law) applied the Rulebook on the Method of Recognition and Valuation of Assets, Liabilities, Revenues, and Expenses of Small Legal Persons and Entrepreneurs (Official Gazette of RS, No 106/06 and 111/06 – correction), may continue to apply the provisions of that Rulebook by the compilation of the financial statements on the date of December 31, 2015, at the latest.

Submission of Financial Statements

Article 51

The provisions of Articles 33-35 of this Law shall start applying as of the financial statements that are to be compiled on the date of December 31, 2014.

As an exception to paragraph 1 of this Article, the micro legal persons referred to in Article 6, paragraph 2 of this Law, may also submit financial statements that are to be compiled on the date of December 31, 2014, and documents and data referred to in Articles 33-35 of this Law, in hard copy.

Until the beginning of applications of the provisions of Articles 33-35 of this Law, the Agency shall allow the National Bank of Serbia, in compliance with Article 41 of this Law, access to and transfer of financial statements, i.e. all the data from financial statements and other documentation submitted to the Agency in compliance with Articles 30 and 31 of the Law on Accounting and Auditing (Official Gazette of RS, No 46/06, 111/09, and 99/11 – other law).

Repealing of Regulations

Article 52

On the date of entry into force of this Law, the Law on Accounting and Auditing (Official Gazette 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 effective on December 31, 2013, provisions of Article 2, paragraph 5, Articles 15, 26, 30, and 31 of that Law, which shall cease to be effective on December 30, 2014, and the provision of Article 2, paragraph 6 of that Law, which shall cease to be effective on December 30, 2015.

Final Provision

Article 53

This Law shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Serbia.