Measure

Of the Ministry of Finance of the Slovak Republic

of 16 December 2002 No. 23054/2002-92,

On stipulation of details of accounting procedures and framework chart of accounts for entrepreneurs keeping double-entry accounting in the wording of Measure of the Ministry of Finance of the Slovak Republic of 11 December 2003 No. 25167/2003-92 and Measure of the Ministry of Finance of the Slovak Republic of 24 November 2004 No. MF/10069/2004-74

The Ministry of Finance of the Slovak Republic, pursuant to Article 4, paragraph 2 of Act No. 431/2002 Coll., on accounting, in the wording of Act No. 561/2004 Coll., (hereinafter the „Act"), hereby stipulates the following

Article 1

Basic Provision

(1) This measure stipulates details of accounting procedures and framework chart of accounts for

a) Legal persons doing business pursuant to special regulations[1)],
b) Natural persons pursuant to Article 1, paragraph 1, letter a) of point three of the Act (hereinafter "Natural Person – Entrepreneur"), if keeping double-entry accounting,
c) Foreign persons pursuant to Article 1, paragraph 1, letter a) of point two of the Act.

(2) This measure does not apply to entities defined in paragraph 1 above herein to whom accounting procedures and framework chart of accounts pursuant to special regulations apply[2)].

(3) The framework chart of accounts for entities specified in paragraph 1 is given in Annex No. 1 to this Measure.

General Provisions

Article 2

Date of Accounting Case Implementation

(1) Date of accounting case implementation is a date of delivery, liability payment, claim collection, claim offset, claim transfer, debt takeover, provision or receipt of advance, credit or loan refunding by provision of a new credit or loan, discovery of deficit in assets and liabilities, shortfall, surplus of assets, damage to assets, deposit into business company and cooperative, asset transfers within accounting unit and date of discovery of other facts following from special regulations or internal conditions of the accounting unit that are subject of accounting and for which the accounting unit has sufficient documentation.

(2) As concerns real estate property acquired on the basis of contract with ownership transferred by approval of entry into land register[3)] and used by the buyer before ownership transfer, the date of accounting case implementation is the date of takeover of the real estate by the buyer in the books of the buyer and handover of the real estate by the seller in the books of the seller. If the entry into land register is not approved then the entries in the books of accounts are cancelled.

---

[1]) For example, Article 2, paragraph 2 of the Commercial Code, Act No. 111/1990 Coll., on state establishment, as amended, Act of the National Council of the Slovak Republic No. 123/1996 Coll., on additional pension insurance of employees and amendment to certain other acts, in the wording of Act No. 409/2000 Coll.

[2]) Measure of the Ministry of Finance of the Slovak Republic of 13 November 2002 No. 20359/2002-92, stipulating details of accounting procedures and framework accounting system for banks, branch offices of international banks, the National Bank of Slovakia, the Deposit Protection Fund, security traders, branch offices of foreign security traders, the Investment Guarantee Fund, asset management companies, branch offices of foreign assets management companies and share funds (Notice No. 644/2002 Coll.).

Measure of he Ministry of Finance of the Slovak Republic of 13 November 2002 No. 20360/2002-92, stipulating details of accounting procedures and framework accounting system for the Export – Import Bank of the Slovak Republic (Notice No. 645/2002 Coll.).

Measure of the Ministry of Finance of the Slovak Republic of 3 December 2002 No. 22212/2002-92, stipulating details of accounting procedures and framework accounting system for insurance companies, branch offices of international insurance companies, reinsurance companies, branch offices of international reinsurance companies, and the Slovak Office of Insurers (Notice No. 693/2002 Coll.).

Measure of the Ministry of Finance of the Slovak Republic of 10 December 2002 No. 22502/2002-92, stipulating details of accounting procedures and accounting system for accounting units not established or incorporated for business enterprising purposes (Notice No. 734/2002 Coll.).

Measure of the Ministry of Finance of the Slovak Republic of 10 December 2002 No. 21577/2002-92, stipulating details of accounting procedures and accounting system for health insurance companies, the Social Security Insurance Company and the National Labour Office (Notice No. 720/2002 Coll.).

Measure of the Ministry of Finance of the Slovak Republic of 17 December 2002 No. 23340/2002-92, stipulating details of accounting procedures and framework accounting system for budget organisations, state funds, municipalities, higher territorial units, membership organisations and certain legal entities whose principal activity is other than business (Notice No. 742/2002 Coll.).

[3]) Article 28, paragraph 3 of Act of the National Council of the Slovak Republic No. 162/1995 Coll., on Land Register and Entry of Ownership and Other Rights to Real Estate Property (Cadastral Act).

Article 2a

(1) Accounting case as to the balance sheet date is entry of facts into books of accounts

a) Pursuant to Article 2, paragraph 2 of the Act as to the balance sheet date (hereinafter "balance sheet accounting cases"),
c) Pursuant to Article 2, paragraph 2 of the Act concerning their status as to the balance sheet date known to the accounting unit as to the balance sheet date (hereinafter "corrective balance sheet accounting cases"). These cases do not include facts occurring between the balance sheet date and the balance sheet issue date, if not related to the status of the cases as to the balance sheet date, such as drop of market price of securities in the period between the balance sheet date and the balance sheet issue date,
c) For the reason of book opening pursuant to Article 16, paragraph 10 of the Act before the balance sheet approval date.

Article 3

Accounting Schedule

(1) Accounting schedule includes synthetic accounts of the framework chart of accounts and it may include accounting unit created synthetic accounts of assets, liabilities and equity related to the economic content of account group within which they complement the framework chart of accounts. These created synthetic accounts are provided with a three-digit identification sign and a verbal identification.

(2) In the accounting schedule analytical accounts shall be created in compliance with Article 4.

Article 4

Creation of Analytical Accounts to Synthetic Accounts

(1) The following aspects shall be considered in connection with creation of analytical accounts:

a) Assets classification by type, materially responsible persons or entities and asset location; special attention is paid to assets provided to accounting unit for the purpose of securing its receivable, securities in refunding proceeding,
b) Assets classification by useful life to long-term and short-term assets,
c) Classification of receivables and liabilities by agreed payment deadline and residual payment deadline,
d) Classification by debtor or homogeneous groups of debtors,
e) Classification by creditor or homogeneous groups of creditors,
f) Classification by Slovak currency and foreign currency pursuant to Article 4, paragraph 6 of the Act,
g) Classification by item of the financial statement, including requirements for Notes; the classification also applies to requirements for publication of the financial statement data,
h) Classification by requirement for calculation of individual tax bases,
i) Classification for the purpose of accounting of health, medical and pension insurance schemes, contribution to unemployment insurance and contribution to guarantee fund,
j) Classification for the purpose of needs of financial management of accounting unit,
k) Classification of financial accounts, costs and revenues by activity performed by accounting unit
   1. On the basis of exclusive right, meaning the right for provision of certain service or activity within a defined geographical area reserved for a single accounting unit on the basis of special legislation,
   2. On the basis of individual right, meaning
   2a. The right for provision of certain service or activity within an area reserved for two accounting units on the basis of special legislation, or for accounting units forming public concern, or for a limited number of accounting units, or for accounting units forming more public concerns, without the limitation of the number of accounting units or selection of eligible accounting units being based on adequate and non-discriminating criteria; public concern means accounting unit proceeding pursuant to this provision and where public authorities perform majority influence, whether directly or indirectly, for the reason of ownership of the accounting unit, voting rights, share in registered capital and rules governing the accounting unit in question,
   2b. Advantage of one or more accounting units in relation to other accounting units concerning performance of the same activity in the same area within a geographically defined territory under comparable conditions,
   3. In public interest, with the accounting unit receiving state subsidy pursuant to special legislation [3a] and simultaneously performing other activities,
l) Other aspects depending on the needs of the accounting unit in question.

(2) Pursuant to the nature of assets and liabilities analytical evidence is established in the accounting system, including evaluation and other data needed by the accounting unit.

Article 5

Accruals and Deferrals of Expenses and Revenues

(1) Expenses and revenues shall be accounted for in period to which they relate in time and materially. Expenses and revenues shall be accounted in the books belonging to the period with which the costs and revenues are related in terms of time and facts. Corrections of immaterial expenses and immaterial revenues of previous accounting periods shall be accounted as accounting cases of the current accounting period in the corresponding accounts of expenses or revenues of economic activity of the accounting unit in question.

(2) Compensation of incurred expenses of past accounting periods shall be accounted for in revenues of the current accounting period.

[3a] Act No. 231/1999 Coll., on State Subsidy, as amended.

(3) Expenses and expenditures concerning future accounting periods shall be accounted for on the basis of accruals and deferrals as follows

a) As prepaid expenses, accounts 381 and 382,
b) As accrued expenses account 383.

(4) Revenues and income of future accounting periods shall be accounted for on the basis of accruals and deferrals as follows

a) As deferred income, account 384,
b) As accrued income, account 385.

(5) Criterion for accounting of accounting cases of different periods include their factual content, sum and accounting period which they belong to.

(6) Expenses and revenues of different periods shall be accounted in the corresponding expense accounts and revenue accounts of different periods, with the exceptions of cost classes forming complex costs of future periods. Complex costs of future periods, after initial recognition in the corresponding cost class accounts within account class 5, shall be recognised to the credit of account 655 and to the debit of account 382 and their balance to the credit of account 382 and to the debit of account 555.

(7) Accounts including expenses and revenues of different periods are subject to document stocktaking and assessment of their amounts of justification of the accounting into the relevant periods.

Article 6

Internal Accountancy

(1) Internal accountancy my be organised

a) In the context of analytical accounts to financial accounting, such as internal expenses and internal revenues accounts in account groups 59 and 69,
b) In a separate accounting cycle using separately created accounts in the context of accounting classes 8 and 9 and their contents,
c) In combination of the procedures described under a) and b).

(2) Internal accountancy may be based on balance sheet and reporting periods shorter than accounting periods.

(3) Connecting accounts demonstrate continuity of financial and internal accounting. In the case of internal accountancy organised in a separate accounting group they are created within accounting classes 8 and 9 or replaced with technical data processing.

(4) Internal accounts are included in the accounting schedule.

Article 7

Opening of Book of Accounts

(1) Accounts of the general ledger shall be opened via accounting entries. Final balances of individual balance accounts of assets, liabilities and equity are recognised as initial balances of the individual balance sheet accounts as to the first day of the immediately following accounting period.

(2) When opening of books of accounts, initial states of balance sheet accounts shall be accounted for via accounting entries to the debit of account 701 – Opening balance sheet account and to the credit of relevant newly-opened accounts of liabilities and equity, and via accounting entries to the credit of account 701 – Opening balance sheet account and to the debit of relevant newly-opened accounts of property.

(3) When opening of accounts the economic results of the immediately preceding accounting period shall be recorded in account 431 – Profit or loss to be approved. Accounting profit shall be recorded to the debit of account 701 – Opening Balance Sheet Account, and to the credit of account 431 – Profit or loss to be approved. Accounting loss shall be recorded to the credit of account 701 – Opening Balance Sheet Account and to the debit of account 431 – Profit or loss to be approved.

(4) Status of account 431 – Profit or loss to be approved, shall be recorded as follows:

a) Pursuant to the decision of the relevant body of the accounting unit, in the case of accounting profit, via recording to the credit of the respective accounts of account groups 41 – Share Capital and Capital Funds, 42 – Funds created from profit and transferred economic results, and to the debit of account 364 – Liabilities towards partners and members at profit distribution, or to the credit of other accounts in compliance with special regulations or decisions of the relevant body. If the relevant body of the company has not decided about profit distribution by the end of the respective accounting period in which the profit was generated then the profit or part of it can be recorded in account 428 – Retained earnings from the previous years,
b) Pursuant to the decision of the relevant body of the accounting unit, in case of accounting loss, then via recording to the debit of the respective accounts of account group 41 – Share Capital and Capital Funds, 42 – Funds created from profit and transferred economic results, and to the debit of account 354 – Receivables from partners and members to cover loss or to the debit in other accounts on the basis of decision of the relevant body. If the relevant body has not decide about loss coverage by the end of the respective accounting period in which the loss was incurred then the loss or part of it can be recorded in account 429 – Accumulated losses from the previous years,
c) Accounting units – natural persons – entrepreneurs – shall recognise these via recording to the credit or debit of account 491 – Equity of Natural Person – Entrepreneur.

Article 8

Closing of Books of Accounts and Financial Statement

(1) Accounts of ledger shall be closed via accounting entries pursuant to Article 16 of the Act.

(2) When closing of books of accounts

a) Turnovers of Credit and Debit sides of individual accounts shall be determined,
b) Final balances of profit and loss accounts and final balances of balance sheet accounts shall be determined,
c) Economic results before tax shall be determined; the income tax base shall be determined outside the accounting system and the calculated tax shall be recorded pursuant to Article 10,
d) Final balances of cost accounts shall be recorded to the credit of these accounts and to the debit of account 710 – Profit and loss account, and final balances of revenue accounts shall be recorded to the debit of these accounts and to the credit of account 710 – Profit and loss account,
e) Final balances of asset accounts shall be recorded to the credit of these accounts and to the debit of account 702 – Closing balance sheet account, and final balances of liability and equity accounts shall be recorded to the debit of these accounts and to the credit of account 702 – Closing balance sheet account,
f) Economic results shall be determined and recorded, if accounting profit, to the debit of account 710 – Profit and Loss Account, and to credit of account 702 – Closing balance sheet account, and if accounting loss, then to credit of account 710 – Profit and Loss Account, and to the debit of account 702 – Closing balance sheet account.

(3) After accounting entries pursuant to paragraph 2, letter f), the books shall be closed and the financial statement shall be compiled.

(4) In case of public business companies the book closing is not performed pursuant to Para. 2, letter f), but pursuant to the claims of the partners and related companies for their respective shares in the overall economic result. In case the economic result is profit, it shall be recorded to the debit of account 596 – Transfer of profit or loss to partners with corresponding entry to the credit of account 364 - Liabilities towards partners and members at profit distribution. In case the economic result is loss, it shall be recorded to the debit of account 354 – Receivables from partners and members to cover loss with corresponding entry to the credit of account 596 – Transfer of profit or loss to partners. According to this section the limited partnership shall also keep its accounts in relation to the general partners.

Article 9

Determination of Economic Result in Accounting

(1) The economic result may be the profit or the loss.

(2) Economic result before tax shall be determined as a difference between the revenues recorded in accounts of account class 6 and costs recorded in accounts of account class 5 – with the exception of accounts 591, 592, 593, 594, 595 and internal revenue accounts and internal cost accounts.

(3) Economic result after income tax – accounting economic results, either loss or profit, shall be calculated as the difference between revenues recorded in accounts of account class 6 and costs recorded in accounts of account class 5.

(4) Economic result shall be classified pursuant to the source activity generating it into:

a) Economic result from economic activity,
b) Economic result from financial activity,
c) Economic result from extraordinary activity.

(5) Economic activity means operations related to the subject of business of the accounting unit, activities performed in support of economic activity and related to it, with the exception of financial and extraordinary activities. Economic result from economic activity is the difference between revenues recorded in accounts of account groups 60 to 65 and in account 697 – Transfer of operating income and cost recorded in accounts of account groups 50 to 55 and in account 597 – Transfer of operating expenses.

(6) Financial activity is activity related to financial operations. Economic result from financial activity is the difference between revenues recorded in accounts of account groups 66 and 67 and in account 698 – Transfer of Financial Income and costs recognised in accounts of account group 56 and 57 and in account 598 – Transfer of Financial Expenses.

(7) Economic activity and financial activity together form ordinary activity.

(8) Extraordinary activity causes costs and revenues not related to current activity and therefore not expected to be repeated or regular. Economic result from extraordinary activity results for example from:

a) Other accounting cases of extraordinary nature with regard to ordinary activity, such as result of transfer or wind up of business activity or part of business activity of accounting unit,
b) Damage caused by natural disaster.

(9) Economic result from extraordinary activity is the difference between revenues recorded in accounts of account group 68 and costs recorded in accounts of account group 58.

Article 10

Accounting of Income Tax

(1) Income tax is part of costs of the accounting unit and shall be recorded in accounts of account group 59 – Income tax and transfer accounts.

(2) The following items of income tax shall be recorded separately:

a) Income tax due in the current accounting period and tax period (hereinafter "income tax due"),
b) Income tax deferred to future accounting periods and tax periods (hereinafter "deferred income tax"),

(3) Income tax due is calculated from the income tax base as stipulated by special legislation[4)] for the purpose of income tax recognition. Income tax due is recorded to the debit of account 591 – Income Tax on ordinary activities - current, and account 593 – Income Tax on Extraordinary Activity - current, and to the credit of account 341 – Income Tax.

(4) If within a single accounting period one activity generates a positive tax base and another a negative tax base and the overall tax base of the accounting unit is positive, then the income tax due shall be recorded for the activity with the positive tax base, either to the debit of account 591 – Income Tax on ordinary activities - current, or account 593 – Income Tax on Extraordinary Activities - current, with the corresponding entry to the credit of account 341 – Income Tax. Negative income tax due from activity generating negative tax base shall be recorded either to the credit of account 591 – Income Tax on ordinary activities - current, or account 593 – Income Tax on Extraordinary Activities - current, with the corresponding entry to the debit of account 341 – Income Tax. Balance of account 341 – Income Tax, expresses the resulting income tax due, payable by the accounting unit.

(5) Deferred income tax applies to accounting units liable pursuant to Article 19 of the Act, who recorded deferred income tax even after expiration of the liability pursuant to Article 19 of the Act. Other accounting units may decide at their sole discretion whether to recognise deferred income tax or not.

(6) Deferred income tax shall be recorded in the following cases:

a) Temporary differences between the book value of assets and liabilities recognised in the balance sheet and their tax base,
b) Possibility to cover tax loss in the future, meaning the possibility to deduct tax loss from future income tax base,
c) Possibility to transfer unused tax deductibles and other tax claims into future periods.

(7) Tax base for the purpose of deferred income tax calculation is the value of assets and liabilities found pursuant to special legislation[4)].

(8) Temporary differences between the book value of assets and liabilities reported in the balance sheet and the tax base include but are not limited to:

a) Taxable temporary differences that will form part of tax base in future accounting periods, including
    1. Book value of long-term tangible asset being higher than its tax base, for example book residual price of long-term tangible asset being higher than its residual price pursuant to special legislation[4)],
    2. Book value of receivable being higher than its tax base, for example receivable from interest taxable after collection,

b) Tax deductible temporary differences deductible from future tax base for income tax calculation, including
    1. Book value of long-term tangible asset being lower than its tax base, for example book residual price of long-term tangible asset being lower than its residual price pursuant to special legislation[4)],
    2. Book value of receivable being lower than its tax base, for example adjusting entry to receivable being created and the difference between the book value and the tax base to be tax deductible in the future,
    3. Book value of inventories being lower than their tax base, for example adjusting entry to inventories being created and the difference between the book value and the tax base to be tax deductible in the future,
    4. Book value of liability being higher than its tax base, for example liabilities tax deductible after their payment.

(9) Deferred tax receivable applies to

a) Tax deductible temporary differences,
b) Possibility to use tax loss in the future, i.e. possibility to deduct tax loss from a future tax base,
c) Possibility to transfer unused tax deductibles and other tax claims to future periods.

(10) Deferred tax liability applies to taxable temporary differences.

(11) Deferred income tax of goodwill shall not be recorded. Deferred income tax shall not be even recorded in case of negative goodwill.

(12) Deferred tax receivable shall be only recorded if it is likely that the tax base against which the amounts defined in Paragraph 9 can be offset is realistically achievable in the future. Realistically achievable means that the taxpayer has recognised sufficient taxable temporary differences expected to be covered in the future

a) In the same period as tax deductible temporary differences are expected to be covered, or
b) In periods in which tax loss to which the deferred tax receivable relates can be applied.

(13) If the respective taxpayer in relation to the respective tax authority does not recognise sufficient taxable differences then deferred tax receivable shall be only recorded if the same taxpayer is expected to reach a sufficient tax base in the period when the tax deductible temporary differences will be covered or when the deferred tax loss will be applied.

(14) Deferred tax receivable not recorded so far are assessed as to the balance sheet date and

a) Book value of the deferred tax receivable is examined. If achievement of a sufficient tax base for coverage of the deferred tax receivable or part of it in future periods is unlikely then the book value of the deferred tax receivable is reduced by the amount that is not expected to be reached in terms of future tax base for the deferred tax receivable to be offset against,

---

[4]) Act No. 595/2003 Coll., on Income Tax.

b) Deferred tax receivable not recorded so far is recognised in the amount that is expected to be offset against realistically achievable future tax base; for example if it is expected that improvement of business activity of the accounting unit in future generates sufficient income for future tax base to be sufficient to meet the criteria for recording of the deferred tax receivable.

(15) For accounting purposes the calculation of deferred tax receivable and deferred tax liability is based on the income tax rate expected to apply in the period when the deferred tax receivable is expected to be applied or the deferred tax liability is expected to be covered. If this tax rate is not known then the tax rate applicable in the following accounting period will be applied.

(16) Deferred tax liability shall be recorded to the debit of account 592 –Income Tax on Ordinary Activity - Deferred, and in account 594 – Income Tax on Extraordinary Activities - Deferred, with the corresponding entry to the credit of account 481 – Deferred tax liability and deferred tax receivable. Deferred tax receivable shall be recorded to the credit of account 592 **–**Income Tax on ordinary Activity - Deferred, and in account 594 –Income Tax on Extraordinary Activities - Deferred, with the corresponding entry to the debit of account 481 – Deferred Tax Liability and Deferred Tax Receivable. In case of accounting cases that are not recorded as cost or revenue, but directly to the credit or debit of equity accounts, e.g. in account 414 – Differences from revaluation of assets and liabilities, account 415- Investment revaluation reserves, account 416 - Differences from revaluation at merger, fusion and division, account 419 – Changes in share capital, account 428 – Retained earnings from previous years, account 429 – Accumulated losses from previous year, also the deferred income tax shall be recorded directly to the debit or to the credit of these equity accounts.

(17) Deferred tax receivable and deferred tax liability shall be recognised separately in the balance sheet. If both values relate to deferred income tax of the same taxpayer and refer to the same tax authority then the balance sheet can include recognition of the resulting summary amount – balance of account 481 – Deferred Tax Liability and Deferred Tax receivable.

(18) Before recording of deferred income tax in a future accounting period, in the case of changed tax rate, the balance of account 481 – Deferred Tax Liability and Deferred Tax receivable is recalculated on the basis of the new tax rate and the resulting difference shall be recorded, depending on its nature, to the debit or credit in account 592 –Income Tax on ordinary Activity - Deferred, and account 594 –Income Tax on Extraordinary Activity - Deferred.

(19) Deferred income tax following from temporary differences related to shares in subsidiaries and accounting units where the significant influence is held, is not recorded if the following conditions are met:

a) The accounting unit with the share is capable of affecting settlement of the temporary differences, and
b) The temporary differences are not expected to be settled in near future.

Article 11

Accounting of Stocktaking Differences

(1) Stocktaking differences shall be recorded in respective expense and revenue accounts pursuant to Article 30, paragraph 7 of the Act, with the exception of

a) Missing securities, in which case the loss shall be recorded in the analytical account Securities in Settlement Proceeding, and when the settlement proceeding is started,
b) Surplus of depreciated long-term tangible and intangible assets, which shall be recorded to the debit of asset account and to the credit of adjusting entry account,
c) Cash and stamp shortfall, which shall be recorded as receivable towards the respective materially responsible person or entity.

(2) Surplus of purchased inventories, where incorrectly recording at their dispatching is provable, shall be recorded to the credit of account group 50 – Consumed Purchases, and real decrease of inventories, where incorrect recording at their dispatching is provable, shall be recorded to the debit of account group 50 – Consumed Purchases.

(3) Surplus of internally produced inventories including animals shall be recorded in the respective accounts of changes in internally inventories.

(4) Surplus of non-depreciated long-term assets shall be recorded to the debit of asset account and to the credit of account 413 – Other Capital Funds.

Principles of Classification of Assets and Liabilities

Article 12

General Principles of Classification of Assets and Liabilities

(1) Assets of accounting unit shall be classified from the temporal point of view to long-term and short-term assets. Long-term assets include assets whose useful life, agreed maturity or other settlement deadline from the date of origin of the respective accounting case is longer than one year. Short-term assets include assets whose useful life, agreed maturity or other settlement deadline from the date of origin of the respective accounting case is shorter than one year.

(2) Liabilities of accounting unit shall be classified from the temporal point of view to long-term and short-term liabilities. Long-term liabilities include liabilities whose agreed maturity or other settlement deadline from the date of origin of the respective accounting case is longer than one year. Short-term liabilities include liabilities whose agreed maturity or other settlement deadline from the date of origin of the respective accounting case is shorter than one year.

(3) If for a particular type of asset or liability the classification pursuant to Para. 1 and 2 above is not possible then the asset or liability is classified on the basis of the intention of the accounting unit related to the asset acquisition or liability origin.

(4) The agreed payment deadline of a claim or a liability shall be the deadline for refunding of the receivable or liability agreed in a contract or in another way. On the basis of the agreed payment deadline the receivables and liabilities shall be recognised in the relevant synthetic account as to the accounting case date.

(5) The residual maturity of receivables and liabilities is the period equal to difference between the agreed payment deadline and the respective balance sheet date.

Article 13

Principles of Classification and Accounting of Long-Term Assets

(1) Long-term assets are classified into

a) Long-term intangible assets,
b) Long-term tangible assets,
c) Long-term financial assets,
d) Long-term receivables.

(2) Long-term intangible assets means assets whose value is higher than the sum pursuant to the special legislation[5)] and whose useful life is longer than one year. Intangible assets whose value equal or is lower than the sum pursuant to special legislation[5)] can only be classified as long-term intangible assets if their useful life is longer than one year.

(3) Intangible assets whose value equals or is lower than the sum pursuant to special legislation[5)] and whose useful life is longer than one year not included in long-term intangible assets shall be recorded to the debit of account 518 – Other services.

(4) Long-term tangible assets shall be classified into

a) Land, constructions[6)], residential flats and non-residential space[7)], works of art[8)], collections (Article 38, paragraph 3, letter b)), objects of precious metals,
b) Individual movable assets, with the exception of movable assets defined under letter a) and sets of movable assets with specific technical-economical purpose, useful life longer than one year, and value higher than the sum defined in special legislation[9)],
c) Perennial crops[10)] with fruit-bearing period longer than three years,
d) Basic herd and draught animals, regardless their acquisition price,
e) New quarries, sand mines and clay mines, technical recultivation and technical evaluation[11)] unless included in long-term tangible asset acquisition price; technical recultivation can only include constructions, such as roads, whose nature, purpose and scope makes them suitable for performance of technical recultivation, with the technical recultivation itself not being long-term tangible asset, if thus stipulated by the special legislation [12)]

(5) Accessories[13)], such as extensions or replacement parts that are part of the value and evidence of the asset, shall be also recorded in the respective long-term asset account. Accessories shall be a part of the delivery of the main object or will be added to the main object later.

(6) Tangible assets pursuant to paragraph 4, letter b), whose value equals or is lower than the sum pursuant to special legislation[9)] can be included in long-term tangible assets it their useful life is longer than one year.

(7) Tangible assets pursuant to paragraph 4, letter b), whose value equals or is lower than the sum pursuant to special legislation[9)] and whose useful life is longer than one year not included in long-term tangible assets are recognised as inventories.

(8) Long-term financial assets shall be classified into

a) Securities and shares pursuant to Article 14, paragraph 2, letter a),
b) Loans provided by an accounting unit within a consolidated group,
c) Long-term loans,
d) Works of art, collections, objects of precious metals and land for the purpose of long-term deposit of free cash.

(9) Long-term receivables are receivables with agreed maturity longer than one year.

---

[5]) Article 22, paragraph 7 of Act No. 595/2003 Coll.
[6]) Act No. 50/1976 Coll., on site planning and construction rules (Building Act) as amended.
Measure of the Statistic Office of the Slovak Republic No. 128/2000 Coll., on Building Classification.
[7]) Act of the National Council of the Slovak Republic No. 182/1993 Coll., on Ownership of Residential Flats and Non-Residential Space, as amended.
[8]) For example Act No. 383/1997 Coll., Copyright Act, and Act amending Customs Act, as amended, in the wording of Act No. 234/2000 Coll. (full wording No. 34/2001 Coll.).
[9]) Article 22, paragraph 2 of Act No. 595/2003 Coll.
[10]) Act of the National Council of the Slovak Republic No. 162/1995 Coll., as amended.
Notice of the Geodesic, Cartographic and Cadastral Office of the Slovak Republic No. 79/1996 Coll., executing Act of the National Council of the Slovak Republic on Land Register and Entry of Ownership and Other rights to Real Estates (Cadastral Act) as amended
[11]) Article 29 of Act No. 595/2003 Coll.
[12]) Act No. 44/1988 Coll., on protection and exploitation of raw materials (Mining Act) as amended.
Act No. 223/2001 Coll., on waste and amendment to certain other acts, as amended.
[13]) Article121, paragraph 1 of the Civic Code.

Article 14

Principles of Classification and Accounting of Securities and Shares

(1) Securities and shares shall be valuated on acquisition pursuant to Article 25 of the Act. Acquisition price of security or share includes costs of acquisition, such as fees to brokers, advisors and stock exchange fees. Mainly interests from credits for acquisition of securities and participations, exchange rate differences and costs connected with possession of security and share shall not be a part of the acquisition price. In the course of acquisition the individual items of the acquisition price of the purchased securities and shares shall be recognised in account 043 – Acquisition of Long-Term Financial Assets, or in the case of short-term financial assets in account 259 – Acquisition of Short-Term Financial Assets.

(2) Securities and shares shall be recognised as

a) Long-term financial assets in the case of securities of and shares in a subsidiary, securities and shares with significant influence over enterprise, realisable securities and shares and bonds held until maturity,
b) Short-term financial assets in the case of securities for trading and bonds for trading, bonds with payment deadline within one year held until maturity, own shares and ownership interests, own bonds and other realisable securities.

(3) Securities and shares shall be recognised in analytical accounts pursuant to the types of the securities, issuers and currencies of the securities and shares.

(4) Bond held until maturity shall be recognised in the case of a security with specified payment deadline intended to be held by the accounting unit until maturity.

(5) Bond shall be recognised in the case of a security of loan nature, such as a bond with fixed interest rate (hereinafter "voucher bond"), a bond whose interest gain is specified as the difference between the face value and the lower emission rate (hereinafter "discounted security") and in the case of bills of exchange.

(6) Security for trading shall be recognised in the case of a security held for the purpose of a transaction on local stock exchange and foreign stock exchange or on other public market in order to achieve profit from price differences within short-time horizon.

(7) Realisable security or share shall be recognised in the case of a security or share that is not held for the purpose of trading, or until maturity, that is not a security and share in a subsidiary, and a security and share with significant influence over enterprise.

(8) Change in fair value of property shares held for trading, or securities other than securities or shares in a subsidiary or controlled entity, change in fair value of securities and shares included in the registered capital of the accounting units shall be recorded as decreased value to the credit of short-term financial asset account with the corresponding entry to the debit of account 564 – Costs of securities revaluation. If the value increases then the difference shall be recorded to the debit of financial asset account with the corresponding entry to the credit of account 664 – Revenue from Securities Revaluation.

(9) Change in fair value of bonds for trading shall be recorded as follows:

a) Decrease of face value of voucher bonds to the debit of account 566 – Costs of Short-Term Financial Assets, with the corresponding entry in the financial asset account,
b) Increase of face value of voucher bonds to the credit of account 666 – Revenues from Short-Term Financial Assets, with the corresponding entry in the financial asset account.

(10) In the case of discounted securities the change in fair value is part of interest gain.

(11) Change of value of securities and shares forming the share capital of a subsidiary accounting unit or a controlled entity is recognised by the parent accounting unit or controlling accounting unit by means of equity method as follows:

a) Change in fair value of a security and share shall be recognised to the debit or credit of a separate analytical account of the relevant financial asset account with the corresponding entry in account 414 – Differences from Revaluation of Assets and Liabilities,
b) In the case of sale the recognised change in value is cancelled by entry of the negative/positive value in the analytical account of the relevant financial asset account with the corresponding entry in account 414 – Differences from Revaluation of Assets and Liabilities,

(12) Interest gains from bonds shall be recognised to the debit of corresponding account, with the interest gain recognised in the analytical account of the relevant security account and to the credit of account of account group 66 – Financial Revenues. Interest gain shall be recorded for the period between the security purchase and payment deadline in factual and temporal correlation.

(13) Interest gain from bonds means:

a) In the case of bonds with interest rate the gain specified by this rate,
b) In the case of discounted securities the difference between the face value of the bond and the acquisition price of the bond.

(14) In the case of bond held until maturity the difference between the acquisition price without the voucher and the face value shall be recorded in factual and temporal correlation depending on the nature either to the debit of account of account group 56 or to the credit of account of account group 66 with the corresponding entry in the financial asset accounts. In the case of discounted securities held until maturity the difference between their acquisition price and face value shall be recorded to the credit of account of account group 66 in factual and temporal correlation.

(15) If the fair value of a security or share cannot be determined or if the costs of the information might exceed the gains from having this information then the fair value shall not be recognised. Sub-multiple interest gain pursuant to Para. 13 shall be recorded, though.

(16) Transfers between individual groups of securities shall be recorded if a security for trading loses its nature of registered share and changes for another class of securities pursuant to the new intention of the accounting unit.

(17) Evaluation on the basis of equity method is made as follows: the share in share capital recognised in acquisition price on the security acquisition shall be adjusted as to the evaluation date stipulated by Article 24, paragraph 1, letters b) and c) of the Act for its value to correspond to the level of participation of the accounting unit in equity of the company in which the accounting unit holds a share in share capital. Change in evaluation shall be recorded pursuant to Para 11. The share in share capital shall be evaluated with zero if the value corresponding to the share of the accounting unit in equity equals or is less than zero.

Article 15

Principles of Classification and Recognition of Bills of Exchange

(1) Bill of exchange as security shall be recorded in account class 06 and 25.

(2) Bill of exchange as payment instrument shall be recorded in the accounting system of the creditor in account 312 – Bills of Exchange to be collected. Acquisition price of bill of exchange is the value of the corresponding receivable. The value recognised in account 312 – Bills of Exchange to be collected shall be increased by the interest born. The debtor shall recognise the bill of exchange to the credit of account 322 – Bills of Exchange to be paid or account 478 – Long-Term Bills of Exchange to be paid.

(3) Bills of exchange as collateral shall be recorded in off-balance sheet accounts.

(4) Sale of bill of exchange recorded in account 312 – Bills of Exchange to be collected shall be recorded as receivable transfer.

(5) Discounting of bill of exchange by a bank or a branch office of an international bank (hereinafter "Bank") shall be recorded as transfer of the bill of exchange to account 313 – Receivables from discounted securities. Before the payment deadline of the discounted bill of exchange by the debtor the liability shall be recorded in the accounting system of the beneficiary of the loan to the credit of account 232 – Loans for discounted securities, and in the case of long-term liability to the credit of account 461 – Bank Loans. Bank interest in factual and temporal correlation shall be recorded in financial cost accounts.

(6) Guarantee towards later holders of bill of exchange resulting from transfer (indosament) of bill of exchange, with the exception of the discount, shall be recognised in off-balance sheet accounts from the transfer date to the collection date. In justified cases a provision shall be created for liabilities following from guarantee. The guarantee shall be reduced by the repaid amounts in the case of partial repayment.

Article 16

Principles of Classification and Recognition of Derivatives

(1) Derivative[15)] is financial instrument meeting the following conditions:

a) Its fair value changes depending on change in interest rate, security price, commodity price, foreign currency exchange rate, financial market index, price index, credit rating or credit index or depending on a similar variable,
b) It does not require initial net investment or requires initial net investment that is lower than required by other types of financial instruments similarly reacting to changes in credit and market factors,
c) It is agreed and settled to a future date, with the time between the transaction agreement and settlement is longer than that of a spot operation.

(2) Financial instrument is a legal relationship on the basis of which a financial asset arises on the side of one party and a financial liability or capital instrument arises on the side of the other party.

(3) Capital instrument is the residual share in assets of the subject after deduction of all its liabilities, such as shares, business share, and share certificate.

(4) Collateral instrument of accounting unit is a derivative providing security for assets or liabilities of the accounting unit (hereinafter "collateral derivative") or other financial asset or liability meeting the requirements for being a derivative.

(5) Derivatives shall be classified on the basis of purpose of their use as follows:

a) Derivatives for trading,
b) Collateral derivatives.

(6) Derivatives shall be classified on the basis of type of financial instrument as follows:

a) Fixed term operation, such as forwards, futures and swaps,
b) Options representing benefit for the buyer from favourable development of prices of the underlying financial instrument, but not representing negative effect on financial situation of the buyer in the case of unfavourable price development.

---

15) Article 8, letter d) of Act No. 566/2001Coll., on securities and investment service and amendment to certain other acts (Security Act).

(7) Derivatives shall be classified on the basis of the underlying financial instruments as follows:

a) Interest derivatives, i.e. derivatives with interest instruments,
b) Currency derivatives, i.e. derivatives with currency instruments,
c) Share derivatives, i.e. derivatives with share instruments,
d) Commodity derivatives, i.e. derivatives with commodity instruments,
e) Credit derivatives, i.e. derivatives with credit instruments.

(8) Interest derivatives shall be recognised in the case of financial instruments consisting of one or more underlying interest instrument in a single currency, whose fair value is not affected by the interest rate of the risk financial instrument of the other accounting unit.

(9) Currency derivatives shall be recognised in the case of financial instruments consisting of one or more underlying currency instruments in minimum two different currencies, whose fair value is not affected by the interest rate of the risk financial instrument of the other accounting unit.

(10) Share derivatives shall be recognised in the case of financial instruments consisting of one or more underlying share instrument in a single currency, whose fair value is not affected by the interest rate of the risk financial instrument of the other accounting unit.

(11) Commodity derivatives shall be recognised in the case of financial instruments consisting of one or more underlying commodity instruments in a single currency, whose fair value is not affected by the interest rate of the risk financial instrument of the other accounting unit.

(12) Credit derivatives shall be recognised in the case of financial instruments consisting of two or more underlying credit instruments, or one or more underlying share instruments or commodity instruments, whose fair value is affected by the interest rate of the risk financial instrument of the other accounting unit. Then the derivative shall be recognised as follows:

a) Credit derivative as provided guarantee if the accounting unit as the subject taking over the risk is bound to pay the debt of the debtor if the debtor fails to meet its liabilities,
b) Credit derivative as accepted guarantee if the accounting unit agreed the credit derivative for the purpose of collateral to a financial asset under the condition that if the other subject fails to meet its obligations the subject taking over the risk,
c) Accepted guarantee as credit derivative unless the accounting unit agreed it for the purpose of financial asset collateral.

(13) Derivatives exclude

a) Repo transactions,
b) Contracts of purchase, lease or sale of tangible assets, intangible assets, inventories with the exception of commodities for trading or potential trading on secondary market, such as agricultural products, raw materials including crude oil, precious metals and energy, if one of the contracting parties is entitled to financial settlement; the exception does not apply to contracts concerning purchase, sale or use of commodity, expected to be settled by delivery of the commodity,
c) Contracts of acquisition of own shares by exchange,
d) Insurance contracts or common contracts requiring settlement related to climatic, geological or other physical factors.

(14) Complex financial derivative is a contracted underlying financial instrument with inserted derivative affecting cash flows or otherwise modifying properties of the underlying financial instrument (hereinafter “inserted derivative”). Inserted derivative is separated from the underlying financial instrument and recognised only if all of the following conditions are met:

a) Economic properties and risks of the inserted derivative are not closely related to the economical properties and risks of the underlying financial instrument,
b) The underlying financial instrument existing under the same conditions as the inserted derivative as a separate instrument would meet the definition of derivative,
c) The underlying financial instrument is not recognised at its fair value or is recognised at its fair value but changes in the evaluation are left in the balance account.

(15) If the economic properties and risks of the inserted derivative are not closely related to the economic properties and risks of the underlying financial instrument the inserted derivative shall be recorded separately from the underlying financial instrument, for example in the case of

a) Put option and call option inserted in financial instrument, with put option being option granting the purchaser the right to sell the underlying financial instrument at an agreed price to the agreed date, and call option being option granting the purchaser the right to purchase the underlying financial instrument at the price of its settlement to the agreed date,
b) Currency option inserted in credit instrument,
c) Option of payment deadline extension beyond the payment deadline of the underlying financial instrument, if no correction exists to the payment deadline of the underlying credit instrument in relation to market interest rate,
d) Derivative changing the underlying credit instrument to an instrument with characteristics of capital financial instrument or commodity,
e) Derivative inserted in the credit instrument for the purpose of conversion of the credit instrument into financial instrument,
f) Call option or put option related to credit instrument issued with extensive discount or premium, except for options with the price of its settlement equal to the acquisition price of the credit instrument increased or decrease by the relevant interest gains or costs,
g) Credit derivative inserted in the underlying financial instrument.

(16) If the economic properties and risks of the inserted derivative are closely related to the economic properties and risks of the underlying financial instrument the inserted derivative shall not be recorded separately from the underlying financial instrument, for example on the case of

a) Interest swap inserted in a credit financial instrument,
b) Interest option inserted in a credit instrument, if the option is out of money at acquisition; the call option is out of money if the spot (immediate) price is lower than the price of the option settlement at maturity, and the put option is out of money if the spot price is higher than the price of the option settlement at maturity,
c) Currency swap or forward inserted in a credit instrument,
d) Option allowing premature settlement of the underlying financial instrument at the price at which it is settled and which under normal circumstances will not lead to considerable profit or loss.

(17) If a credit derivative recognised as guarantee is part of a complex financial instrument, such as bond with inserted credit derivative, the former is recognised separately from the latter as guarantee on off-balance sheet accounts.

(18) Collateral derivatives shall be recorded in the case of derivatives meeting all of the below conditions:

a) The derivatives comply with the risk management strategy of the accounting unit,
b) The collateral relationship is properly documented from the beginning, the documentation allowing for identification of the collateral instruments, the risk, and access to the security and effectiveness of the collateral,
c) Collateral is deemed effective if in the course of the collateral relationship changes in fair values of the collateral instrument correspond to the risk to which they apply, or overall changes in fair values of the collateral instruments range within 80 – 125% of the changes in fair values of the collateral instruments corresponding to the risk to which they apply; effectiveness of collateral instrument is checked at the beginning of the collateral relationship, as to regular balance sheet dates, as to extraordinary balance sheet dates or as to interim balance sheet dates.

(19) Collateral instruments may include:

a) Assets recognised in the balance sheet or liabilities, or their parts,
b) Contracts not recognised in balance sheet accounts, binding both parties and including all required items, including but not limited to amount, price, implementation date, sanctions,
c) Expected future transactions so far not contractually secured, but likely to materialize, for example for the reason of their inclusion in the business plan of the accounting unit, or for the reason of their performance many times in the past, or for the reason of financial and operational capability of the accounting unit to perform the transaction, for the reason of the loss that might result from failure to perform the transaction, or for the reason of existence of the possibility to use another type of transaction with completely different characteristics for the same purpose; identification of expected future transaction in the statements will be made also from the viewpoint of the period in which the transaction is to be performed, with identification and documentation of the period in which performance of the transaction is assumed.

(20) Collateral instrument may have nature of:

a) Individual asset, liability or expected future transaction,
b) More assets, liabilities or expected future transactions, with similar characteristics and equal risks against which the collateral is issued.

(21) Collateral derivative shall not be recorded if

a) Its effectiveness period expires or the derivative is sold or applied,
b) The collateral no longer meets the conditions for classification of the derivative as collateral derivative,
c) The contract is no longer expected to be implemented or the future transaction is no longer expected to be carried out.

(22) Derivatives shall be recognised in off-balance sheet accounts, and they shall be recorded in balance sheet accounts and profit and loss accounts from the date of the transaction to the date of final settlement, termination, application of the right, sale or re-purchase. The date of transaction agreement is the contract execution date.

(23) Receivables and liabilities recognised in the balance sheet shall be classified in analytical accounts according to individual derivative. In the case of fixed term operations changes in fair value shall be recorded as receivable or liability in account 373 – Receivables and liabilities from Fixed Term Operations. In the case of options, option premium paid shall be recorded in account 376 – Options Purchased, and the option premium received shall be recorded in account 377 – Options Sold. In addition, changes in their real values shall be recorded in these accounts.

(24) If a derivative is classified as derivative for trading at local stock exchange, international stock exchange or another public security market then it shall be recorded as of the balance sheet date as change of its fair value documented by data of the public security market in accounts 567 – Costs of Derivative Operations, and 667 – Revenues of Derivative Operations with the corresponding entries in accounts 373, 376 and 377. Financial settlement in the context of the transaction implementation is executed in relation to accounts 373, 376 and 377.

(25) Change in fair value of derivatives for trading at non-public security market shall be recorded as of the balance sheet date pursuant to its nature either to the debit or credit of accounts 373, 376, 377 with the corresponding entry in account 414 - Differences from Revaluation of Assets and Liabilities.

(26) In the case of application of

a) Purchased call option, the option premium shall enter the acquisition price of the acquired asset, with the exception of currency option,

b) Sold call option, the option premium shall be recorded to the credit of account 667 – Revenues from Derivative Operations, with the corresponding entry to the debit of account 377 – Options Sold,
c) Purchased put option, the option premium shall be recorded to the debit of account 567 – Costs of Derivative Operations, with the corresponding entry to the credit of account 376 – Options Purchased,
d) Sold put option, the option premium shall be recorded to the credit of account 667 – Revenues from Derivative Operations, with the corresponding entry to the debit of account 377 – Options Sold.

(27) If

a) Purchased call option is not applied, then the option premium shall be recorded to the debit of account 567 – Costs of Derivative Operations, with the corresponding entry to the credit of account 376 – Options Purchased,
b) Purchased put option is not applied, then the option premium shall be recorded to the debit of account 567 – Costs of Derivative Operations, with the corresponding entry to the credit of account 376 – Options Purchased,
c) Sold call option is not applied, the option premium shall be recorded to the credit of account 667 – Revenues from Derivative Operations, with the corresponding entry to the debit of account 377 – Options Sold,
d) Sold put option is not applied, the option premium shall be recorded to the credit of account 667 – Revenues from Derivative Operations, with the corresponding entry to the debit of account 377 – Options Sold.

(28) If a derivative cannot be revaluated with its fair value, i.e. public market price, then qualified estimate shall be applied. Fair value shall be specified on the basis of the evaluation model based on demonstrable data, such as exchange rates of the National Bank of Slovakia, published interest rates of inter-bank market, and public ratings of rating agencies. If a qualified estimate cannot be made, or the costs of acquisition of the information on revaluation are not proportionate to the relevance of the information, then the fair value shall not be recorded, unless the derivative has evidently been devalued.

(29) Changes are fair values of collateral derivatives shall be recorded in account 414 – Differences from Revaluation of Assets and liabilities, with the corresponding entry in the relevant derivative account. Changes in fair value of a secured asset or liability for the reason of the secured risk shall be recorded in account 414 – Differences from Revaluation of Assets and Liabilities, with the corresponding entry in the relevant asset or liability account.

(30) On the date of expiration of the collateral the revaluation of fair value of the secured asset or liability is dissolved to the debit or to the credit of asset account or liability account with the corresponding entry in account 414 – Differences from Revaluation of Assets and Liabilities.

(31) If assets and liabilities are secured and the collateral derivative is traded on the public market, and change in the real value can be documented by data from the public market, or the securing derivative is not traded on the public market, but the derivative will be settled in compliance with the concluded contract at least until the end of the following accounting period, then changes in real values of the secured assets and liabilities, as well as of collateral derivatives shall be recorded to the debit of the relevant cost account and to the credit of the relevant revenue account.

Article 17

Principles of Classification and Recognition of Short-Term Assets

(1) Short-term assets shall be classified into

a) Inventories,
b) Short-term financial assets,
c) Short-term receivables.

(2) Inventories include:

a) Material,
b) Work in progress, semi-finished products, finished goods and animals,
c) Merchandise.

(3) Material includes but is not limited to raw materials, auxiliary materials and operating materials, spare parts, packages, tangible assets pursuant to Article 13, paragraph 7, shall be recorded as material while

a) Raw materials that are during the production process completely or partially transferred in the product and create its substance shall be recorded as material,
b) Materials that are directly transferred in the product, but they do not create its substance shall be recorded as auxiliary materials, e.g. varnish for products,
c) Materials needed for operation of the accounting unit as a whole shall be recorded as operating materials, e.g. lubricants, fuel, detergents,
d) Items intended for restoring tangible assets to its original condition or condition able of operation shall be recorded as spare parts,
e) If packages serve for protection or transportation of purchased material, merchandise and own products; and if no recycling containers are being supplied to customer or delivered inside the accounting unit together with supplied content, they shall be recorded as packages.

(4) Movable assets with useful life not exceeding one year shall be recorded as inventories regardless of their acquisition price.

(5) Work in progress shall be accounted for only in case of products already used for one or several production operations and which are no longer material, neither finished product. Also unfinished performances of other activities, when no material products originate, e.g. services of court executives and architects, shall be recorded as the work in progress.

(6) Separately recorded products, which did not pass all production levels yet and which will be finished or completed in products in the following production process shall be recorded as semi-finished products of own production.

(7) Objects of own production intended for sale outside the accounting unit or for consumption inside the accounting unit shall be recorded as products.

(8) Mainly animals, which are young breeding animals, feeding animals, fish, fur animals, colony of bees, flock of hens, ducks, turkeys and geese for feeding and dogs shall be recorded as inventories.

(9) Merchandises shall be recorded if they are being purchased for purpose of further sale, while the purchased goods left in the same form, they are not used, not leased, neither technical appraisal is carried out on goods. Products of own production which were activated (account group 62 – Own work capitalized) and delivered to own shops of the unit of account are also merchandise.

(10) Short-term financial assets are:

a) Cash, cash equivalents, such as duty stamps, vouchers, cheques,
b) Bank accounts,
c) Assets recognised in account group 25,
d) Cash in transit.

(11) Short-term financial assets are liquid, immediately tradable, not expected to be held for over one year from the accounting case implementation date.

(12) Short-term receivables are receivables with agreed payment deadline less than one year.

Article 18

Principles of Creation and Recognition of Adjusting entries

(1) Adjusting entries shall be created on the basis of the prudent principle to the debit of the expense and to asset accounts if decreased value of assets in the accounting system is documented and temporary.

(2) If value of property was permanently decreased, the decrease shall be recorded to the debit of costs, e.g. write offs of receivable based on court ruling on its settlement[16)], extraordinary depreciation of long-term assets.

(3) Adjusting entries to assets whose changed fair value is recognised in account 414 – Differences from Revaluation of Assets and Liabilities, shall be also recognised in account 414 – Differences from Revaluation of Assets and Liabilities.

(4) Adjusting entries related to depreciated long-term assets whose usable value is reduced by wear down are created if the usable value of the assets found in the context of stocktaking is considerably lower than its accounting value after deduction of accumulated depreciations and this value reduction cannot be considered permanent.

(5) Adjusting entries to inventories shall be recorded in the case of temporary reduction of usable value of inventories, if stocktaking finds that the sales price of the inventories reduced by costs of sale is lower than the price used for evaluation of the inventories in the accounting system and this reduction of value cannot be considered permanent.

(6) Adjusting entries to receivables shall be created in the case of doubtful receivables representing the risk of failure of the debtor to refund them, fully or partly, in the case of receivables towards debtors that are bankrupt[15)] and subject to force settlement with creditors[16)], and in the case of controversial claims disputed by the debtors as for their recognition or refunding.

(7) Adjusting entry to long-term receivable with the residual payment deadline longer than one year shall adjust the amount of receivable to its amount as of the time of recording and recognising.

(8) After reduction or cancellation adjusting entries shall be recorded to the credit of revenue accounts, with the exception of paragraph 3, and to the debit of adjusting entry accounts, if stocktaking in the subsequent period shows that the adjusting entries (their existence or amount) are no longer necessary or if the reasons for their existence passed in the course of the current accounting period.

(9) On the balance sheet date the balance operations require recognition of corrective items or adjustments of corrective items, for example in the case of any consumer becoming bankrupt after the balance sheet date, when it is proved that the reason for devaluation of claims from business contact already existed as to the balance sheet date.

(10) Adjusting entries do not have an active balance.

(11) If liability stocktaking finds out that the sum of liabilities is different from the recognised sum then adjusting entry shall not created but the increase or decrease in total liabilities shall be recognised directly in the relevant liability account with the corresponding entry to the debit of the relevant cost account or, in the opposite case, to the credit of the relevant revenue account, for example if the liability is not refunded in time and the contract stipulates the duty to pay delay interest or penalty.

Article 19

Principles of Creation and Use of Provision

(1) Provision is created on the basis of the prudent principle against risks and losses. Provision is a liability of the accounting unit resulting from past events with likely future effects of reduction of economic benefits of the accounting unit. If the exact amount of the liability is not known then it shall be recognised in an amount sufficient for meeting the existing liability as to the balance sheet date, with proper regard to the risks and uncertainties. Liabilities with accurate time and amount specification shall be not recognised in the provision but in the relevant liability account.

(2) The method of creation and use of provision is stipulated in the internal regulations of the accounting unit. Provision can only be used for the purpose for which it was created. Provision pursuant to Para. 8, letter s) may be created with the help of

[16]) Act No. 328/1991 Coll., on bankruptcy and settlement, as amended.

mathematical methods of insurance and the value of the provision shall be adjusted to its current value at the moment of recognition and reporting.

(3) Creation of provisions shall be recorded to the debit of cost accounts and their use and dissolution to the credit of revenue accounts.

(4) Creation of provisions related to asset acquisition, such as unbilled supply of material, or unbilled supply of long-term asset, shall be recorded to the debit of the relevant asset account and its use to the credit of the relevant liability account, for example after receipt of the supplier´s invoice.

(5) Balances of existing provisions shall be transferred to the following accounting period.

(6) Provisions do not have an active balance.

(7) Provisions are subject to document stocktaking and assessment of their amount and justifiability. As to the balance sheet date provision creation or amount adjustment shall be recognised for the purpose of corrective balance sheet operations.

(8) Provisions are related to liabilities following from general legislation, executed contracts, voluntary decisions of the accounting unit relating to third party liabilities, for example if on the basis of past conduct of the accounting unit, publication of rules or notification of recognition of liability of the accounting unit the third party expects the accounting unit to meet the liability. Provisions shall be created for**:**

a) Costs related to elimination of environment pollution,
b) Complaints and guarantee repairs,
c) Waste and package disposal,
d) Reclamation of land,
e) Building demolitions,
f) Gratuity,
g) Unused paid leave, including social insurance,
h) Remuneration to members of the supervisory board and of other bodies of a company,
i) Unbilled supplies and services,
j) Membership fees to unions, societies, chambers and other organisations related to the reported accounting period,
k) Bonuses, discounts, rebates etc., concerning products, merchandises and services sold before the end of the reported accounting period,
l) Costs of compilation, audit and publication of the financial statement and the annual report concerning the current accounting period,
m) Costs of compilation of tax return in the current accounting period,
n) Fines and penalties,
o) Financial obligations following from liabilities and guarantees,
p) Liability of charged repurchase of packages,
q) Ongoing and pending judicial proceedings,
r) Payment of premiums and rewards,
s) Severance pay, contributions to employees on the occasion of life jubilees and other employee benefits,
t) Provisions to business representatives,
u) Loss contracts and onerous contracts, whose implementation costs exceed the gains from the economic benefit of the contract,
v) Costs of restoration of the original condition of leased assets pursuant to Article 41,
w) And other risks and losses resulting from activities of the accounting unit.

(9) Provisions shall not be created for repairs of long-term assets.

Article 20

Depreciation of Long-Term Asset

(1) Long-term intangible assets and long-term tangible assets shall be depreciated on the basis of depreciation schedules indirectly by means of accounting write offs. The residual value shall be determined on the basis of the accumulated depreciations of long-term intangible and tangible assets.

(2) Long-term tangible assets shall be depreciated with regard to wear corresponding to common conditions of their use.

(3) Technical evaluation of long-term intangible assets shall be depreciated in the same manner as the long-term intangible assets to which it is related.

(4) Depreciation schedule shall take into consideration useful life, number of products or similar units to be acquired with the help of the depreciated asset, including but not limited to consideration for:

a) Assumed use of the asset and intensity of its use,
b) Assumed physical wear of the asset under standard conditions of use, such as shifts, repair and maintenance plan, time-related care of asset not in use,
c) Technical and moral outdating,
d) Legal or other limitations of use.

(5) Pursuant to changing conditions the depreciation schedule shall be revaluated and the residual period of depreciation and the depreciation rates shall be adjusted accordingly.

(6) Depreciations of animals of basic herd and draught animals may be based on the fraction with the acquisition price minus assumed revenue from exploitation as the numerator and the assumed number of years of breeding in the basic herd as

the denominator. Draught animals, racing horses and pedigree horses shall be depreciated individually, other animals of the basic herd may be depreciated as a group.

(7) Depreciations of long-term tangible and intangible assets shared by more holders shall be implemented from the individual shares of the holders.

(8) Accounting depreciations rounded up to whole crowns shall be recorded to the credit of account of account group 07 – Accumulated Amortization to Long-Term Intangible Assets, and account group 08 – Accumulated Depreciations to Long-Term Tangible Assets and to the debit of account 551 – Amortization of Long-Term Intangible and Depreciations of Long-Term Tangible Assets. The same applies to depreciations in the accounting system of the lessee as specified in Article 40.

(9) Long-term tangible assets acquired by cooperative housing construction and not used in business shall be not depreciated.

Details of Accounting Procedures in Asset Evaluation

Article 21

Details of Accounting Procedures of Evaluation of Long-Term Intangible Assets, Long-Term Tangible Assets and Long-Term Financial Assets

(1) Long-term assets and their technical added value evaluated in terms of the acquisition price, the reproduction acquisition price or by own costs shall be recorded in the relevant asset accounts.

(2) Long-term tangible assets acquired for free based on contract on purchase of leased object[18)] shall be recorded with corresponding entry on the relevant account of accumulated depreciations.

(3) Long-term intangible assets and long-term tangible assets newly found by stocktaking and so far not recognised and evaluated in terms of the reproduction acquisition price shall be recognised together with the corresponding entry in the relevant accumulated depreciation account. Non-depreciated long-term tangible assets newly found by stocktaking and evaluated in terms of the reproduction acquisition price shall be recognised together with the corresponding entry to the credit of account 413 – Other Capital Funds.

(4) Evaluation of individual long-term intangible assets and long-term tangible assets shall be increased by costs of completed technical added value if the sum of costs in the current accounting period is higher than the sum stipulated by the special legislation[11)] and the technical added value is put in operation in the current accounting period. Costs not exceeding the above-mentioned sum may be recorded as

a) Technical added value,
b) Services in the case of long-term intangible assets,
c) Costs of economic activity in the case of long-term tangible assets.

(5) If the technical added value according to the contract is to be depreciated in the accounting system of the lessee then the evaluation pursuant to paragraph 4 shall not increase.

(6) Permanent value reduction of long-term intangible assets and long-term tangible assets shall be recorded in terms of depreciation, unless it is damage.

(7) Temporary reduction of value of long-term intangible assets and long-term tangible assets shall be recognised on the balance sheet date by adjusting entries on accounts of account group 09. This value reduction may include potential assumed lower sales price in comparison to the book value of the assets. The value of long-term financial assets such as loans, if non-interest-bearing or with lower interest rate than the current interest rate shall be corrected with an adjusting entry in the amount of the value of the asset as to the recognition date. The same applies to cases specified in Article 18.

Article 22

Details of Accounting Procedures in Inventory Valuation

(1) Reduction in inventories of the same kind may be recognised on the basis of weighed arithmetic average from the acquisition prices or own costs of the inventories or as follows: The first incremental value of inventory shall be used as the first value of inventory reduction. The weighed arithmetic average shall be calculated once a month at least.

(2) Acquisition price of inventories may be broken down in analytical accounts to the price of the asset acquisition and the acquisition-related costs or to the predefined price of the asset if different from the actual acquisition price, the amount of the difference and the acquisition-related costs. On inventory dispatch these costs or differences shall be dissolved using the method stipulated by internal regulations of the accounting unit.

(3) As for internal services related to inventory acquisition by purchase and inventory processing the acquisition price only includes shall be activated transport costs and costs of material processing pursuant to Article 43, paragraph 2 and paragraph 4.

(4) Financial costs of use of foreign resources, such as interest, may only be included in own costs if falling within the period of their creation.

(5) Own costs related to inventories created by own activity shall be valuated either in their real value or in the amount of own costs based on operative (planned) calculations. Thus specified costs are determined by particular technical, technological, economic and organisational terms and conditions determined by technical preparation of manufacture for output implementation and therefore they are virtually identical with actual costs proper.

[18)]) Article 489 to 496 Commercial Code as amended by Act No. 264/1992 Coll.

(6) Inventory acquisition price includes price reduction e.g. discounts, bonuses, rebates, etc., reducing the value of inventories accordingly.

Article 23

Details of Accounting Procedures in Inventory Valuation as to Stocktaking Date and Book Closing Date

(1) If stocktaking results reveal that the usable value of inventories does not correspond to their book value then value increments shall not be recognised and value reductions shall be analysed and recognised in the form of adjusting entry, unless definite. If the acquisition price or own costs of inventories are higher than the assumed economic benefits of their future sale or use for internal needs of the accounting unit, for example as a consequence of the fact that they are unneeded, redundant, their sales price has dropped, or their costs of completion have risen, then corrective item to these inventories shall be created in the amount of the difference between the accounting value and the net realisable value of the inventories. Net realisable value means the assumed sales price reduced by sales costs and completion costs of the inventories to be sold. Inventory evaluation after recognition of their value reduction may not be higher that the assumed gain from their sale or use for internal needs of the accounting unit. Adjusting entry shall be created for raw materials and auxiliary substances if the finished products for which these raw or auxiliary materials are to be used can be assumed to be sold with a loss. Permanent value reduction shall be recorded to the debit of accounts of account group 50 – Consumed Purchases, and account group 61 – Changes in internal inventory, or in account 549 - Deficits and Damages, if classified as damage.

(2) Unbilled supplies shall be valuated e.g. on the basis of the executed contract, delivery certificate, or on the basis of estimate.

Article 24

Recognition of Exchange Rate Differences

(1) Receivable, liability, long-term financial asset and short-term financial asset accounts shall be used for recognition of exchange rate differences as to the accounting case implementation date related to receivable collection, liability payment and sales of long-term financial assets and short-term financial assets with the corresponding entry to the debit of account 563 – Exchange Rate Losses, or to the credit of account 663 – Exchange Rate Gains. Exchange rate differences shall be recorded as to the date of accounting case implementation mainly in relation to receivable transfer, deposit of receivable in share capital, or mutual offset of receivable.

(2) Exchange rate differences shall not be recognised in the case of

a) Change of creditor in the debtor ´s accounts and transfer of debtor ´s liability onto another debtor in the creditor's accounts,
b) Refunding of monetary deposits of partners to business company or cooperative. The difference shall be recorded as receivable of or liability towards the depositor.

(3) As to the balance sheet date, exchange rate difference resulting from valuation of assets and liabilities pursuant to Article 4, paragraph 6 of the Act shall be recorded to the debit of account 563 – Exchange Rate Loss, or to the credit of account 663 – Exchange Rate Gains, with the exception of cases stipulated in Para. 4 and 5. The same applies to recognition of exchange rate differences following from adjusting entries and provisions in foreign currencies.

(4) Exchange rate differences resulting from assets and liabilities pursuant to Article 27, paragraph 1 of the Act shall be a part of their valuation in terms of fair value. Their recognition shall be governed by the same rules as changes in fair value of these assets and liabilities and goes into revenues or costs, or into account 414 - Differences from Revaluation of Assets and Liabilities, for example in the case of securities pursuant to Article 14 and derivatives pursuant to Article 16.

(5) Exchange rate differences related to equity shares in business companies valuated by the equity method pursuant to Article 27, paragraph 8 of the Act shall be a part of the evaluation by the equity method.

Details of Accounting Procedures in Special Accounting Cases

Article 25

Recognition of Changes in share capital and Creation of Reserve Fund and Indivisible Fund

(1) Opening balance sheet compiled as to the date of entry of joint stock company in the Commercial Register shall include paid up deposits, receivable in the amount of unpaid deposits, incorporation costs, share capital recorded in the Commercial Register, share premium, reserve fund and other facts specified in the documents related to the joint stock company incorporation and origin.

(2) The following procedure applies to recognition of share capital of accounting unit - joint-stock company:

a) Increase of share capital as to the date of entry of the increase in the Commercial Register, on the basis of the entry in the Commercial Register shall be recorded in account 411 – Share Capital,
b) Increase of share capital not yet entered in the Commercial Register shall be recorded to the credit of account 419 – Changes in Share Capital and after entry in the Commercial Register the increase of share capital shall be transferred into account 411 – Share Capital.
c) Decrease of share capital as to the date of entry of the decrease in the Commercial Register, on the basis of the entry in the Commercial Register shall be recorded in account 411 – Share Capital,
d) Decrease of share capital not yet entered in the Commercial Register shall be recorded to the debit of account 419 – Changes in Share Capital and after entry in the Commercial Register the decrease of equity shall be transferred into account 411 – Share Capital.

(3) In accounting unit – shareholder – shall be recorded receivable towards joint-stock company for payment of liquidation balance as to the date of approval of proposal of distribution of the liquidation balance to the debit of account 378 – Other Receivables, with the corresponding entry to the credit of account 665 – Revenues from Long-Term Financial Assets. If this receivable is settled by non-monetary means then the acquisition price of thus acquired assets shall be the value of the receivable.

(4) The following procedure applies to recognition of share capital of accounting unit – limited liability company:

a) Recognition of incorporation of such an accounting unit, increase or decrease of its share capital shall be governed by Para. 1 and 2 above,
b) The settlement share shall be recorded as liability towards partner to the credit of account 365 - Other Liabilities to Partners and Members with the corresponding entry to the debit of account 252 – Own Shares and Own Ownership Interests; non-monetary settlement of the settlement share shall be recognised together with the residual value of the depreciated long-term assets and the acquisition value of non-depreciated long-term assets or together with another asset account; if a difference arises in the liability account then it shall be recorded to the credit of account 668 – Other Financial Revenues.

(5) In accounting unit – partner to a limited liability company – shall be recognised receivable towards the company concerning settlement share to the debit of account 378 – Other Receivables, with the corresponding entry to the credit of account 665 – Revenues from Long-Term Financial Assets. If this receivable is settled by non-monetary means then the acquisition price of thus acquired assets shall be the value of the receivable.

(6) The following procedure applies to recognition of share capital of accounting unit - cooperative:

a) Increase in share capital shall be recorded in account 411 –Share Capital on new member acquisition, subscription of further deposits by members of the cooperative not designed for increase of the share capital in the Commercial Register; on increase of share capital from accounting profit of the cooperative on the basis of Statutes or on the basis of decision of the Meeting of Members of Cooperative,
b) Decrease in share capital shall be recorded in account 411 – Share Capital – in the following cases:
   1. Settlement share of member of cooperative covered from the cooperative share capital, with the exception of indivisible fund and other funds, if use of these funds is stipulated in Statutes,
   2. Loss coverage, if the cooperative does not have payment obligation of the cooperative members determined in Statutes or if Statutes does not determine settlement of loss otherwise,
   3. Reduction of subscribed membership deposits,
c) Decrease in share capital shall not be recognised in the case of membership rights transfer or heir becoming member of the cooperative,
d) Increase or decrease of unregistered share capital of the cooperative may be recorded to the credit or to the debit of account 411, without the corresponding entry in account 419,
e) Recognition of settlement share shall be governed by the provisions of Para. 4.

(7) Recognition of share capital of accounting unit – limited partnership company – is governed by Para. 4.

(8) Creation of reserve fund on incorporation of business company shall be recorded to the debit of account 353 – Receivable Related to unpaid share capital with the corresponding entry to the credit of account 417 – Legal Reserve Fund form Capital Contributions. Creation of reserve fund from accounting profit shall be recorded to the debit of account 431 – Profit or Loss to be Approved or account 428 – Retained earnings form previous years, with the corresponding entry to the credit of account 421 – Legal Reserve Fund. Partners shall recognise the sum of reserve fund on incorporation of business company to the debit of account group 06 – Long-Term Financial Assets, with the corresponding entry to the credit of account 367 – Liabilities from Subscribed Unpaid Securities and deposits.

(9) Creation of indivisible fund on incorporation of cooperative shall be recorded to the debit of account 353 – Receivables Related to Unpaid Share Capital with the corresponding entry to the credit of account 418 – Indivisible Fund from capital contributions. Indivisible fund creation from accounting profit shall be recorded to the debit of account 431 – profit or Loss to be Approved or account 428 – Retained earnings from previous years, with the corresponding entry to the credit of account 422 – Indivisible Fund. Members of cooperative shall recognise the sum of indivisible fund to the debit of account 069 – Other Long-Term Financial Assets, with the corresponding entry to the credit of account 367 – Liabilities from Subscribed Unpaid Securities and deposits.

Article 26

Accounting Procedures on Merger and Division

(1) In the case of merger, fusion or division, as to the date of wind-up without liquidation, the differences between the accounting asset and liability values and evaluation of these pursuant to Article 27, paragraph 1, letter d) of the Act, shall be recognised in the relevant asset or liability accounts, with potential use of account 015 - Goodwill, with the corresponding entry in account 416 – Differences from revaluation at merger, fusion or division. Accounting value of assets and liabilities means value of assets and liabilities after deduction of depreciations and corrective items. Securities and derivatives shall be governed by Article 14 and 16.

(2) Balance of account 416 – Differences from revaluation on merger, fusion or division shall be recognised in opening balance sheet of the business company(s) or cooperative(s) resulting from the merge or split or in opening balance sheet of the legal successor (transferee) in account group 41 – Share Capital and Capital Funds, and account group 42– Funds created from the profit and transferred economic results shall be recognised in compliance with the merger, fusion or division contract.

(3) The opening balance sheet of merged business companies or cooperatives or legal successors - transferees include settlement of mutual claims and liabilities of the merged companies or the transferor and the transferee. Potential differences resulting from mutual settlement of claims and liabilities on merger shall be recognised accordingly in account 428 – Retained Earnings from previous years, and 429 – Accumulated Losses from previous years in the opening balance sheet of the

successor company. In the case of company transfer these differences shall be recognised in the relevant cost or gain account in the accounting system of the legal successor - transferee.

Article 27

Company Sale Accounting Procedures

(1) On sale of a company or its part sold assets shall be recorded in the accounts of the seller to the debit of account 588 - Other Extraordinary Expenses, and sold liabilities shall be recorded to the credit of account 688 - Other Extraordinary Revenues. The sales price shall be recorded to the debit of account 371 – Receivable from the sale of enterprise and to the credit of account 688 – Other Extraordinary Revenues. The difference between accounts 588 – Other Extraordinary Expenses, and 688 – Other Extraordinary Revenues, represents profit or loss resulting from the sale of company.

(2) On purchase of a company or its part purchased assets shall be recorded in the accounts of the buyer to the debit of the relevant asset accounts and the taken over liabilities shall be recorded to the credit of the relevant liability accounts. The purchase price shall be recorded to the credit of account 372 – Liabilities from the purchase of enterprise.

Article 28

Accounting Procedures Related to Wind-Up with Liquidation of Business Companies, Cooperatives or State Enterprises

(1) Extraordinary financial statement shall be compiled as to the date of liquidation completion including the amount of liability related to income tax due. For the purpose of account keeping until the accounting unit ceases to exist asset and liability accounts shall be opened for recognition of tax liability and liabilities towards partners related to liquidation balance distribution.

(2) Account keeping of wound up state enterprise shall be governed by Para. 1 above.

Article 29

Accounting Procedures Related to Bankruptcy and Forced Settlement

(1) After complete and timely fulfilment of forced settlement liabilities of the debtor confirmed by the court implemented liabilities shall be recorded in the accounts of the debtor[16)] to the debit of the corresponding liability account and to the credit of account 688 – Other Extraordinary Revenues.

(2) On book closing pursuant to Article 16, paragraph 3, letter d) of the Act balances of those future period cost accounts, future period revenue accounts, provision accounts and adjusting entry accounts losing meaning after commencement of bankruptcy proceeding shall be transferred to the corresponding receivable and liability or costs and revenue accounts.

(3) Opening balance sheet compiled as to the effectiveness date of the bankruptcy proceeding must be harmonised with the balances in the balance accounts of the bankrupt.

(4) Assets not recognised in the accounts of the bankrupt[16)] but certainly belonging to the bankrupt as to the date of bankruptcy announcement shall be recorded to the debit of the relevant asset account with the corresponding entry to the credit of the extraordinary revenue account.

(5) After complete and timely fulfilment of forced settlement liabilities of the bankrupt confirmed by the court implemented liabilities shall be recorded in the accounts of the bankrupt to the debit of the corresponding liability account and to the credit of account 688 – Other Extraordinary Revenues.

Article 30

Accounting Procedures Related to Construction Contract

(1) Construction contract (hereinafter “Order”) means creation of individual tangible asset or a combination of interrelated or mutually dependent tangible assets by virtue of their design, technology, purpose or use on contractual basis.

(2) Order also includes

a) Provision of services directly related to creation of asset pursuant to Para. 1, services of project manager or architect(s),
b) Reconstruction, liquidation of asset pursuant to Para. 1 or rehabilitation of the environment after liquidation of asset pursuant to Para. 1.

(3) Order may be agreed with

a) Fixed price or fixed price with addendum on the possibility of increase cost reimbursement,
b) Price agreed as the sum of costs and profit margin as percentage or fixed amount.

(4) Revenues from order include the price agreed in the contract. The revenues also include price changes agreed in the contract in the case of additionally changed scope of works, demand and stimulation extras.

(5) Demand means requirements of the supplier applied with the client or third party including but not limited to reimbursement of costs not included in the price of the order, delays caused by the client, change in specification or design, on condition that the amount of the demand is acceptable for the client.

(6) Stimulation extra belongs to the supplier on condition of compliance with specific conditions agreed in the contract or implementation of the order in improved quality, scope or earlier than agreed in the contract. The stimulation extra increases the originally agreed gain from the order.

(7) The costs of order for accounting purposes include costs attributable to the order from the date of the contract execution to the date of final completion of the order, including

a) Direct costs directly related to the order,
b) Indirect costs attributable to the order,
c) Other costs such as overhead costs, research and development costs, unless otherwise agreed in the contract.

(8) For accounting purposes the order shall be provided with budget.

(9) If the order commencement and completion dates fall within different accounting periods then the costs ad gains related to the order shall be recorded in the respective accounting periods in which the relevant works were implemented.

(10) For the purpose of cost recognition analytical evidence of the costs is kept in the calculation break down of the cost.

(11) If a loss is expected in relation to the order as the budgeted costs of the order pursuant to indent are higher than the budgeted gains from the order pursuant to Para. 4, then the loss is recognised in the accounting period in which the order implementation commenced in terms of an adjusting entry pursuant to Para. 12 and 13 and a provision pursuant to indent 13.

(12) If the assumed loss pursuant to Para. 11 is lower than the currently activated inventories relating to the order then a adjusting entry is created to the inventories in the amount of the loss.

(13) If the assumed loss pursuant to Para. 11 is higher than the currently activated inventories relating to the order then an adjusting entry is created to the inventories in the amount of the inventories and a provision in the amount of the difference between the loss and the amount of the currently activated inventories relating to the order.

(14) Revenues from the order shall be recorded pursuant to the stage of the order implementation no matter whether the so far implemented works have been billed or not and regardless the amount of the billing. This accounting procedure is called completeness percentage method. Revenues shall be recognised pursuant to this method on the basis of the stage of completeness of the order as to the balance sheet date in account group 61 – Change of Status of Internal Inventories, or in account group 60 – Revenues from Own Products and Merchandise, with potential use of accounts 384 – Deferred Income, or 385 – Accrued Income, as follows:

a) If as to the balance sheet date the generated profit is higher than the profit calculated on the basis of the completeness percentage method, the difference shall be recorded to the debit of account of account group 60 - Revenues from Own Products and Merchandise, with the corresponding entry to the credit of account 384 – Deferred Income,
b) If as to the balance sheet date the generated profit is lower than the profit calculated on the basis of the completeness percentage method, the difference shall be recorded to the credit of account of account group 60 - Revenues from Own Products and Merchandise, with the corresponding entry to the debit of account 385 – Accrued Income.

(15) If the budgeted costs of the order are higher than the budgeted revenues then the assumed loss is immediately recognised as cost. An adjusting entry shall be created in the amount of activated inventories relating to the order. If the assumed loss is higher than the activated inventories relating to the order then a provision shall be created in the amount of the excess of the activated inventories relating to the order.

(16) The order completeness stage for the purpose of Para. 14 is calculated pursuant to the nature of the order as

a) The ratio of actually incurred costs of the order and total budgeted costs of the order,
b) Assessment, evaluation of work done, for example in terms of worked hours, number of completed operations,
c) Completion of parts of the order, such as a floor of a building in relation to the total number of floors of the completed building.

(17) The completeness percentage method shall be applied cumulatively in each accounting period on the basis of current gain and cost budget of the order. The effect of change in the estimate shall be recorded as revenue or cost of the accounting period in which the change was implemented.

(18) Calculation of the order completion percentage pursuant to Para. 16, letter a) only includes costs corresponding to work done. The costs do not include aspects related to future activities, such as material supplied to the site, or to another destination, and relating to the order that has not yet been installed, used or applied, regardless the fact that the material was manufactured directly for the purpose of the order, or for the purpose of subcontracted works or services.

Article 30a

Accounting for Financial Leasing

(1) For the purposes of Financial Leasing accounting the following definitions apply

a) Financial leasing means the acquisition of long-term tangible assets based on a leasing agreement with an agreed right of leased object purchase for agreed payments throughout an agreed period[16a)] of these assets leasing,
b) Agreed Payments mean respective payments paid by the lessee to the lessor throughout an agreed period of assets financial leasing; the purchase price, at which the ownership rights to the leased assets are transferred from the lessor onto the lessee at the end of the agreed financial leasing period, forms part of the agreed payments[19a)]

[16a] Article 2 letter s) Item two of Act No. 595/2003 Coll. as amended by Act No. 659/2004 Coll.
[19a)] Article 2 letter s) Item one of Act No. 595/2003 Coll. as amended by Act No. 659/2004 Coll.

c) With respect to the lessor, the Principal represents the total amount of agreed payments less unrealised financial revenues; unrealised financial revenues represent future financial revenues calculated by the lessor using, e.g. the method of effective interest rate and method of accrual borrowing interest rate,
d) With respect to the lessee, the Principal represents the total amount of agreed payments less unrealised financial costs (leasing fee), whereby for the lessee, the Principal equals the lessor Principal; unrealised financial costs (leasing fees) represent future financial costs classified as unrealised future revenues by the lessee.

(2) On the day of assets hand over to the lessee, the lessor hall debit account 374 – Receivables from Leasing with the Principal at the lessor with a corresponding credit on a relevant account of account class 6 - Revenues. Retirement of the leased assets from the lessor accounting shall represent a debit on a relevant cost account with a corresponding credit on a relevant assets account.

(3) On the day of the agreed payments maturity, the lessor shall debit account 374 – Receivables from Leasing with the payable financial revenues with a corresponding entry to the credit of account 662 – Interests received. Structuring of the agreed payments into Principal at the lessor and financial revenues will be defined in the Financial Leasing Agreement, for example in the instalment schedule of these payments.

(4) As of the date of the financial statements compilation, the lessor shall debit account 374 – Receivables from Leasing with financial revenue for the period from the last maturity day of the agreed payments until the day of the financial statements compilation, with a corresponding credit on account 662 – Interests received.

(5) Lessor acceptance of assets due to early termination of financial leasing shall be debited on the relevant assets account at a price according to the financial leasing agreement, with a corresponding credit on account 325 – Other Liabilities.

(6) Financial settlement between the lessor and lessee due to early termination of financial leasing shall be entered in the lessor accounting as follows

a) To the credit of account 374 – Receivables from Leasing, with a corresponding debit on account 325 – Other Liabilities, provided the lessor has taken the leased assets from the lessee,
b) To the debit of account 315 – Other Receivables with a corresponding entry
    1. To the credit of account 374 – Receivables from Leasing up to the amount of the receivable balance resulting from the financial leasing, or
    2. to the credit of account 648 – Other Operating Revenues.

(7) The lessee shall enter the acceptance of assets by the leaseholder on the day of the assets acceptance and shall debit the relevant assets account with an amount equal to the principal at lessee, with a corresponding credit on account 474 – Liabilities under Leasing Contract. Costs related to financial leasing object acquisition shall be debited on account 042 – Acquisition of Long-Term Tangible Assets with a corresponding credit on account 321 – Suppliers or 379 – Other Liabilities.

(8) The lessee shall depreciate assets acquired through financial leasing according to Article 20.

(9) On the day of the agreed payments maturity, the lessee shall credit account 474 – Liabilities under Leasing Contract with the due financial cost with a corresponding debit on account 562 – Interests paid.

(10) As of the day of accounts closing, the lessee shall credit account 474 – Liabilities under Leasing Contract through financial cost for the period from the last due date of the agreed payments up until the day of the financial statements compilation, with a corresponding debit on account 562 – Interests paid.

(11) On the day of the assets hand over to the lessor due to early termination of financial leasing, the lessee shall make the following entries:

a) The net book value shall be credited on the relevant account of account group 08 with a corresponding debit on account 551 – Depreciation,
b) Retirement of assets from the lessee accounting shall be debited on the relevant account of account group 08 – Accumulated depreciation to Long-Term Tangible Assets with a corresponding credit on the relevant assets account.

(12) The lessee shall enter financial settlement of the lessee and the lessor due to early termination of financial leasing as a credit on account 325 – Other Liabilities with a corresponding debit

a) On account 474 – Liabilities under Leasing Contract up to the amount of the liability balance arising from the financial leasing, or
b) On account 548 – Other Operating Expenses.

(13) In the lessee accounting, the entitlement to any performance from financial settlement between the lessee and lessor due to early termination of the financial leasing shall be credited on account 648 – Other Operating Revenues with a corresponding debit

a) on account 474 – Liabilities under Leasing Contract, or
b) on account 315 – Other Receivables.

(14) Revenue from the sale of assets that the seller also acquires through the financial leasing agreement is accrued in the seller accounting during an agreed period of financial leasing in an amount decreased by the book value of these assets, provided the sale produced profit.

Special Provisions concerning Accounting Methods

Article 31

In the accounting of an accounting entity, the following account classes are used:

a) Account class 0 – Long-Term Assets,
b) Account class 1 – Inventory,
c) Account class 2 – Financial Accounts,
d) Account class 3 – Accounting for Receivables and Liabilities,
e) Account class 4 – Capital Accounts and Long-Term Liabilities,
f) Account class 5 – Expenses,
g) Account class 6 – Revenues,
h) Account class 7 – Closing Balance Sheet Accounts and Off-balance Sheet Accounts.

Account Class 0 – Long-Term Assets

Article 32

(1) The following shall be accounted for in Account Class 0 – Long-Term Assets

a) Long-term assets,
b) Acquisition of long-term assets,
c) Provided advance payments for long-term assets,
d) Accumulated depreciations to long-term intangible assets and long-term tangible assets,
e) Adjusting entries to long-term assets.

(2) Long-term assets the accounting entity has ownership rights or administration rights to in case of state, municipal, or higher territorial unit assets, shall accounted for in Account Class 0 – Long-Term Assets. Long-term assets of an accounting entity having no ownership or administration rights on such assets shall be accounted for in the accounting of the accounting entity, provided it is

a) Long-term movable assets on which the ownership or administration rights are transferred onto the buyer first at the time of full purchase price or agreed remuneration payment and the buyer or transferee uses such assets until ownership or administration right establishment,
b) Long-term immovable assets obtained through an agreement establishing ownership or administration right based on an approval of real estate cadastre entry, provided the accounting entity uses such assets until the establishment of ownership or administration rights,
c) Technical valorisation of leased long-term tangible assets, that the leaseholder depreciates based on a written agreement with the owner or administrator at conditions defined in a special regulation[20)],
d) Technical re-cultivation that is not part of long term assets purchase price and that is performed on land owned or administrated by a person other than the accounting entity,
e) Long-term tangible assets at the time of ownership right transfer due to a liability securing through a right transfer[21)] onto a creditor, provided the original owner (debtor) agrees with the creditor in writing on the borrowing[22)] of such assets during the liability securing duration,
f) Long-term intangible assets,
g) Long-term tangible assets acquired through financial leasing.

Article 33

Accounting for Long-Term Assets Acquisition

(1) For accounting purposes, long-term intangible and long-term tangible assets are assets and technical valorisation, according to Article 32 paragraph 2 letter d), put into use. Putting into use means the securing of all technical functions of such assets necessary for its use and the observation of obligations according to specific regulations.[23)]

(2) Paragraph 1 shall also apply to assets technical valorisation.

(3) Long-term intangible assets and long-term tangible assets created through own activities shall be debited on an account in account group 04 – Acquisition of long-term assets and credited to account 623 – Capitalization of long-term intangible assets or 624 – Capitalization of long-term tangible assets.

(4) Long-term intangible and long-term tangible assets obtained free of charge shall be debited to an account of account group 04 – Acquisition of long-term assets and credited to account 413 – Other capital funds. Assets obtained by a state owned company through delimitation shall be debited onto the relevant assets account and credited onto account 411 – Share Capital.

(5) Long-term intangible and long-term tangible assets transferred from personal use into business shall be debited on account group 01 – Long-term intangible assets, 02 – Long-term tangible assets – depreciated or 03 – Long-term tangible assets – non-depreciated and credited onto account 491 – Equity of Natural person – entrepreneur.

(6) Long-term and short-term advance payments provided for long-term assets shall be accounted for on accounts in account group 05.

(7) On account 042 – Acquisition of long-term tangible assets, long-term assets acquired for the purposes of sale, that will be subjected to technical valorisation as well as such technical valorisation shall be also accounted for.

---

[20]) Article 24 Para. 2 of Act No. 595/2003 Coll.
[21]) Article 553 of Civil Code as amended by Act No. 509/1991 Coll.
[22]) Article 659 of Civil Code as amended by Act No. 509/1991 Coll.
[23]) For example, Act No. 50/1976 Coll. as amended, Slovak Republic National Council Act No. 330/1996 Coll. on the Work Health and Safety as amended, Act No. 314/2001 Coll. on Fire Prevention as amended by Act No. 438/2002 Coll.

Article 34

Accounting for Acquisition of Long-Term Intangible Assets

(1) Acquired long-term intangible assets until the time they are put into use, including acquisition related costs, shall be accounted for on account 041 – Acquisition of long-term intangible assets. Interests and exchange rate differences shall not be a part of acquisition related costs. Provided manufacturing of movable objects, e.g. prototypes, models or samples used for work testing or examination, shall be a part of acquisition related costs, it shall be recorded on a separate analytical account. Provided movable objects are useless for further work, they shall be accounted for according to their actual use, namely sale, liquidation, or use in own activities. Should such objects be used in own activities, they will be entered onto the relevant assets account.

(2) If long-term intangible property is created alternatively by own activity, e.g. alternative projects, costs of any alternative solutions shall be a part of long-term intangible assets valuation.

Article 35

Accounting for Long-term Tangible Assets Acquisition

(1) On account 042 – Acquisition of long-term tangible assets, acquired long-term tangible assets and their technical valorisation until the time the assets are put into use including acquisition related costs shall be accounted for, especially cost of

a) Long-term tangible assets preparation and construction, e.g. levies for temporary use of agricultural land, cost of guarantee provided in relation to the acquisition until the long term assets are put into use,
b) Exploration, geologic, geodetic, and project work, including variant solution, works of art forming part of structures, cost of agricultural organisation economic disadvantages removal, levies for permanent occupation of agricultural land, levies for temporary occupation of agricultural land for construction site infrastructure, opening of new quarries, sand-pits and earth-pits, technical re-cultivation, technical valorisation[11)], transport, installation work and custom fees,
c) Protection and conservation work, or retentive and de-conservation work, provided work on long-term tangible assets acquisition is suspended,
d) Reimbursement for forced limitation of real estate use and reimbursement for pecuniary injury provided to the real estate owner according to specific regulations [24)] and payments for ecologic injury[25)] related to construction,
e) Costs spent for the purpose of the connection and securing of required input power or required gas, heat and water supply, as well as payments to distribution network owner for relocation of distribution lines[26)],
f) Tests the contractor uses to document proper completion of work, if the tests produce usable products or services belonging to the acquirer based on a contract, cost of long-term tangible assets acquisition will be decreased by the revenue from these products or services,
g) Induced investment meaning acquisition of assets or services the accounting entity will not use, but that are based on a specific regulation or a contract related to the long-term tangible assets acquisition.

(2) The following shall not be accounted for on account 042 – Acquisition of Long-term tangible assets and shall not be a part of long-term tangible assets purchase price

a) Penalties, fines, fees, late payment fees or other contractual sanctions and financial reimbursements related to long-term tangible assets acquisition,
b) Cost of staff training for the developed operations and equipment,
c) Cost of inventories for the acquired long-term tangible assets,
d) Cost of biological re-cultivation,
e) Costs related to the preparation and securing of construction arising following the acquired tangible assets commissioning,
f) Costs of long-term tangible assets repairs and maintenance, whereby repairs remove partial physical wear or damage to restore previous or operational condition and restoring of operational condition means the performance of a repair using other than original materials, spare parts, parts or technologies, provided the technical parameters are not changed and assets performance is not increased, nor the purpose of use changed, maintenance slows down physical wear, prevents its effects and removes minor problems,
g) Exchange rate differences,
h) Interest on loans, provided it is not decided before such assets commissioning that they will form part of the purchase price.

(3) The cost of technical valorisation of long term tangible assets the accounting entity is leasing or will lease based on a written contract shall be accounted for on account 042 – Acquisition of long-term tangible assets and such technical valorisation will be depreciated. In the accounting of the leased long-term tangible assets owner no cost of technical valorisation shall be accounted for and such costs do not increase the purchase price of long-term tangible assets.

Article 36

Accounting for Long-Term Assets Retirement

(1) Long-term assets shall be retired through sale, liquidation, settlement, or transfer according to specific regulations[27)], donation, deposit of long-term assets into another business company or association, as a result of damage or deficit, transfer from business into personal use and delimitation.

---

[24]) For example, Act No. 70/1998 Coll. on Energy Industry as amended, Act No. 195/2000 Coll. on Telecommunications as amended, Act No. 184/2002 Coll. on Water and on the change and amendment of certain acts (Water Act), Act No. 543/2002 Coll. on Nature and Land Protection.
[25]) For example, Act No. 17/1992 Coll. on Environment as amended.
[26]) Act No. 70/1998 Coll. as amended.

(2) Carrying value of a structure or its part liquidated due to new construction, including cost of liquidation shall be included in the cost of new construction.

(3) In case of partial liquidation of respective long-term tangible assets, the purchase price of long-term tangible assets shall be decreased by the purchase price of the retired asset part, whereby accumulated depreciations on the retired asset part shall be expressed through the same percentage of depreciation as accumulated depreciations of long-term tangible assets as a whole, provided the remaining asset part will sustain its usability. The same method shall be applied with long-term intangible assets and with the partial retirement of a movable objects set.

(4) Carrying value of long-term intangible assets and long-term tangible assets that are not fully depreciated, shall be debited especially onto the following accounts at the time of retirement

a) 541 – Carrying value of long-term intangible assets and long-term tangible assets sold at the time of sale,
b) 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets at the time of liquidation or transfer according to specific regulations,
c) 543 – Donations at the time of donation,
d) 367 – Liabilities from subscribed unpaid securities and deposits at the time of material entry into a business company or association,
e) 549 – Deficits and damages at the time of deficits and damages,
f) 491 – Equity of natural person – entrepreneur at the time of transfer to personal use,
g) 411 – Share capital at the time of delimitation or transfer of state property a state owned company has use rights according to a specific regulation.[28)]

(5) With long-term financial assets sale, the price accounted on respective accounts of account group 06 – Long-term financial assets, shall be debited onto account 561 – Securities and shares sold.

(6) In the event of work cancellation and permanent suspension of work related to the acquisition of long-term intangible and long-term tangible assets, the amount accounted on accounts 041 – Acquisition of long-term intangible assets or 042 – Acquisition of long-term tangible assets shall be debited onto account 549 – Deficits and damages, provided it is damage, and in other cases onto account 548 – Other operating expenses.

Article 37

Accounting for Long-Term Intangible Assets

(1) Costs related to the establishment and incorporation of an accounting entity, namely legal fees, notary fees, travel costs, salaries, mediation fees, rent, costs related to the incorporation paid to the mother company, and other costs shall be accounted for on account 011 – Incorporation expenses. Incorporation expenses are not expenses related to the acquisition of long term assets, inventories, entertainment expenses, and other expenses that are not considered tax deducible expenses according to a specific regulation[4)].

(2) Expenses related to the fusion, merger or division of business companies and cooperatives and with the change o their legal form, subscription of new shares and other increase of shareholders equity and the related costs, such as notary fees, legal fees, stockbroker provisions, expert opinions, consulting, securities issuer brochure, and other expenses shall not be accounted as incorporation expenses.

(3) Long-term intangible assets created through own development or during its development shall be activated on account 012 – Capitalized development costs, provided it is possible to document

a) The possibility of their technical completion enabling their use or sale,
b) The completion, use, or sale purpose,
c) The accounting entity's ability to use or sell it,
d) The method of future economic benefits creation and the existence of market for the outputs of the long-term intangible asset or the long-term intangible asset itself, or its usability, should it be used within the accounting entity,
e) The availability of adequate technical, financial and other recourses necessary for the development completion, use or sale,
f) Reliable valuation of costs related to its acquisition through the entire development.

(4) On account 012 – Capitalized development costs shall be recorded entries on development in case of development results or other knowledge application for planning or production project for new or significantly improved materials, equipment, products, processes, systems, or services prior to the commencement of series production work or use. As development, especially design and the following shall be accounted for:

a) Building and testing of prototypes and models,
b) Making of tools, templates, forms, and chips using new technology,
c) Setting up and operation of a testing operation that is not in the phase of economic feasibility of production,
d) Setting up and operation of a selected alternative for new or improved materials, equipment, products, processes, systems, or services.

(5) Results of performed development work shall be accounted for as development expenses, provided they are

a) purchased separately and are not part of other long-term asset delivery or its valuation,

---

[27]) For example, Act No. 87/1991 Coll. on Out of Court Rehabilitations a amended, Act No. 229/1991 Coll. on Land and other Agricultural Assets Ownership Rights Definition as amended, Act No. 92/1991 Coll. on the Conditions of State Assets Transfer onto Other Persons as amended.
[28]) Act No. 92/1991 Coll. as amended.

b) Created through own activities for the purpose of their trading, they are not the result of an order or part of long-term assets delivery,
c) Created through own activities for use by the accounting entity.

(6) Development costs shall be activated, provided their total does not exceed the amount that is likely to be collected from the future economic benefits after deduction of further development, sale and administration costs related directly to the marketing of products and processes. If the possibility of development costs activation is not proved according to paragraph 3, they shall be accounted for as costs in the financial periods they arose in.

(7) The cost of development representing original and planned research aimed at identifying new scientific information or technical knowledge, shall not be accounted for on the long-term intangible assets accounts. Research costs shall be accounted for as costs in the financial periods they arose in. Research costs are especially the costs of

a) Activities aimed at identifying new knowledge,
b) Studying, valuation, and final selection of applications from research conclusions or other knowledge,
c) Alternative materials, equipment, products, processes, or services search,
d) Formulation, design, valuation and final selection of possible alternatives, new or improved materials, equipment, products, processes, systems, or services.

(8) Software shall be accounted for on account 013 – Software regardless of it being or not subject to author rights, provided it has been

a) purchased separately and is not part of any hardware delivery and its valuation,
b) Created through own activities for use by the accounting entity or for trading, provided it is not a custom made software or part of a hardware delivery.

(9) For example, know-how, licences, user rights, trespassing right, editor rights, editor titles, author rights, import and export quotas, trademarks, copyrights, formulas, objects or industrial rights and other results of intellectual creative work shall be accounted on account 014 – Valuable rights, provided they have been obtained against payment, e.g. purchased, exchanged, or through a non-monetary investment.

(10) Goodwill obtained through the following methods shall be accounted for on account 015 – Goodwill

a) Purchase, exchange, or investment into a company or its part,
b) Division, merger, or fusion of business companies or cooperatives.

(11) Goodwill shall be accounted for on account 015 – Goodwill, if the difference between purchase price and acquirer share in the real value of the acquired identifiable assets and liabilities on the day of acquisition is positive. If this difference is negative, we speak of negative goodwill and it shall be credited onto account 015 – Goodwill.

(12) Goodwill shall be accounted for at the time of a company or its part purchase or investment, provided the purchase price or accepted value of entry exceed the real value of respective assets and liabilities part such assets and liabilities will be evaluated with in the purchaser or entry acceptor accounting. Negative goodwill shall be credited onto account 015 – Goodwill. With accounting for goodwill, the value of future economic benefits increase or decrease, in case of negative goodwill, shall be studied. Should the future increase of economic benefits be likely to be lower than the value of goodwill entered on account 015 – Goodwill, the relevant part of goodwill will be depreciated at the time of the company or its part purchase or investment. Should the future decrease of economic benefits be likely to be lower than the amount negative goodwill entered on account 015 – Goodwill, the relevant part of the negative goodwill will be depreciated at the time of the company or its part purchase or investment.

(13) Goodwill shall be accounted for at the time of fusion, merger, or division, provided the book value of one participating company share in another participating company exceeds the real value of assets and liabilities relevant to this share, whereby the book value of share at the time of fusion or division is the real share value. Negative goodwill shall be credited onto account 015 – Goodwill. With accounting for goodwill, the value of future economic benefits increase or decrease, in case of negative goodwill, shall be studied. Should the future increase of economic benefits be likely to be lower than the value of goodwill entered on account 015 – Goodwill, the relevant part of goodwill will be depreciated at the time of company division, fusion or merger. Should the future decrease of economic benefits be likely to be lower than the amount of negative goodwill entered on account 015 – Goodwill, the relevant part of the negative goodwill will be depreciated at the time of company division, fusion or merger.

(14) Goodwill created through own activities shall not be activated.

(15) Goodwill depreciations shall be debited onto account 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets.

(16) Negative goodwill shall be credited onto account 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets.

(17) Cost of training and seminars, marketing and similar studies, market research, consulting, expert opinions, obtaining of standards and certificates, such ISO standards, preparation and implementation of activities, advertising, products marketing, company or its part restructuring and reorganisation, production extension, as well as other similar costs shall not be accounted as long-term intangible assets, but as costs of economic activities.

Article 38

Accounting for Long-Term Tangible Assets

(1) The acquisition of mineral resources fields shall be accounted for on account 031 – Land, whereby the land valuation includes the value of mineral resources fields. The land purchase price decreases gradually in the form of adjusting entry by the value of the extracted mineral resources. Following complete field extraction and its re-cultivation, the amount of accounted

adjusting entry shall be decreased by the re-cultivation costs, however at a maximum up to the value of the accounted adjusting entry.

(2) The land purchase price shall also include the value of purchased forest, provided it has been purchased for cultivation. The purchase price of purchased land planted with trees or bushes forming no cultivation unit of permanent growth[10], represents the price including cultivation.

(3) The following shall be accounted for on account 032 - Works of art and collections

a) Works of art[8], provided they do not form part of structures,
b) Collections, for example a set of objects depicting historical or technical development in business, movable cultural monuments.

(4) On account 026 – Livestock, adult breed and stud animals[4] for economic use shall be accounted for regardless of purchase price. For the purpose of animals classification into long-term tangible assets, the adultness of animals is defined through zoo-technical principals, such as reproductive ability, the ability to reproduce their own kind, and age. Economic benefit means giving birth to young, milk and wool production, the use of animal pull power, and commercial use. Also animals of principal herd and other economically used stock, such as moufflons, fallow deer, deer, and ostrich may be accounted for on this account, provided their usability is longer than four years.

(5) Valuation of adult animals obtained through own breeding and transferred from inventories to long-term tangible assets shall be increased by, for example transfer related costs, external veterinary control costs, and the cost of animals transport to another stables.

Article 39

Accounting of Adjusting entry to Acquired Assets

(1) On account 097 – Adjusting entry to acquired assets shall be accounted in the event of state owned property transfer according to a specific regulation[28] and in case of a company sale, provided no individual revaluation of individual company parts takes place. This adjusting entry shall be accounted for as a difference between the purchase price at the time of sale or the price reached through auction and the value the assets have in the accounting of a privatised entity, or the seller decreased by accepted liabilities. Account 097 – Adjusting entry to acquired assets may have both active and passive balances based on its character. Thereby, assets on the respective asset accounts shall be valued at residual value recorded in the privatised entity or seller accounting.

(2) If no individual re-valuation of respective assets portions takes place, the adjusting entry to assets is accounted for on account 097 – Adjusting entry to acquired assets. The adjusting entry does not include the price of land that will be accounted for on account 031 – Land at an agreed value, provided the land price has not been agreed specifically, land will be accounted for in a value according to a specific regulation.

(3) Assets may be additionally individually re-valuated based on an expert opinion and this only up to the value of purchase price or auction price and adjusting entry will be adjusted by the re-valuation result. Additional re-valuation must take place before the first financial statements compilation, provided three months do not pass between assets acquisition and accounting books closing, it is possible to perform re-valuation also in the following financial year. Additional re-valuation applies to all assets acquired in this way, excluding receivables, temporary accounts of assets, and financial funds accounts.

(4) Adjusting entry shall be depreciated into costs or revenues regularly over the period of 15 years from the long-term assets acquisition and this indirectly through account 098 – Accumulated depreciation of adjusting entry to acquired assets. At the moment of complete depreciation, it is deleted from accounting through a credit or debit on account 097 – Adjusting entry to acquired assets. Non-depreciated portion of an adjustment to acquired assets shall be depreciated as a lump sum into costs or revenues, depending on its character, at the time of sale or investment of the entire assets set. In the event of sale or investment of long-term assets part to which the adjusting entry applies, a proportionate part of the adjusting entry shall be depreciated into costs or revenues depending on its character.

Article 40

Repealed.

Article 41

Accounting for Technical Valorisation of Assets Depreciated by Lessee

(1) Technical valorisation performed on leased assets and depreciated by the lessee shall be depreciated in the course of the lease duration.

(2) Net book value of technical valorisation in the event of early leasing termination shall be accounted for as follows:

a) In the lessee accounting, into costs as a debit on account 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets
b) If the lessee and lessor agree on the technical valorisation transfer against payment, such transfer shall be accounted for as sale of long-term tangible assets in the lessee accounting.

(3) The cost of leased assets reinstatement shall be accounted into other costs of economic activities in the lessee accounting.

(4) Technical valorisation of leased long-term assets depreciated by the lessee shall be accounted for on the same account it would have been accounted for, if the lessee had been the assets owner.

Article 42

Accounting for Long-Term Assets on Analytic Accounts

(1) On analytic accounts shall be accounted

a) according to respective parts of long-term assets, whereby with a set of movable objects and assets that include in their valuation also accessories, analytic accounts shall be created for respective sets and assets including accessories, and if further object is added to a set of movable objects and further accessories is added to or excluded from assets, valuation on a relevant analytic account shall be adjusted,
b) According to purpose defined by specific regulations or resulting from the requirements of the accounting entity management,
c) If the accounting entity is a lessee, separately assets according to Article 32 paragraph 2 letters. c), d) and g),
d) Separately assets put into lien or otherwise used to guarantee liabilities.

(2) Analytic records according to relevant parts of long-term intangible assets and long-term tangible assets are used for assets identification and include especially the name and description of assets, numeral designation, acquisition and commissioning dates, date of entry onto account of account groups 01, 02 and 03, valuation, data on the selected depreciation methods for accounting and tax purposes, rates of accounting depreciations and tax depreciations, amounts of accounting and tax depreciation for financial year, carrying l value and tax carrying value, date and method of retirement. With assets, the accounting entity has no ownership rights to, assets given into lien or in case of an encumbrance on assets, provided a subsidy, support or contribution was provided for its acquisition, analytic records of the assets owner and lien creditor shall state the amount of the provided subsidy, support or contributions and further facts documenting the completeness of the accounting case. With a set of movable objects and assets including also accessories, individual parts of the set and respective pieces of assets shall be recorded in analytic records in both physical and monetary forms. If a further object is added to a set of movable objects and further accessories are added to assets or excluded, the analytic records shall include also the date of addition or exclusion of such objects or accessories.

(3) Analytic accounts of long-term financial assets shall be kept according to their respective parts, with advance payments and borrowings according to respective debtors. Analytic records include data necessary for the identification of long-term financial assets or data defined by specific regulations. Analytic accounts on securities and shares shall be created according to their structure stated in Article 14.

Account Class 1 – Inventory

Article 43

Accounting for Inventories

(1) Accounting for acquisition and decrease of inventories shall be carried out pursuant to methods A or B. All accounting entities, to which this regulation applies, may use accounting for inventories according to method A. Accounting for inventories according to method B applies to accounting entities having no obligations under Article 19 of Act.

(2) Using method A, inventories shall be accounted for as follows:

a) In the course of the accounting period, portions of purchased inventories purchase price shall be debited onto account 111 – Acquisition of material or onto account 131 – Merchandise acquisition with a corresponding credit on relevant accounts of debtors and creditors or on financial accounts, inter-company services related to the transport of inventories and actual cost of material processing shall be capitalized; material, services and merchandise capitalization shall be debited onto the relevant accounts of inventories with a corresponding credit on accounts in account group 62 – Own work capitalized,
b) In the accounting entity accounting, acceptance of material and merchandise into stock shall be accounted for at purchase price in the case of purchases, and at actual costs in the case of internally produced inventories through a debit on account 112 – Material in stock or 132 - Merchandise in stock and retail stores and credited onto account 111 – Acquisition of material or 131 – Merchandise Acquisition,
c) Consumption of material and sale of merchandise shall be debited onto accounts in account group 50 – Consumed purchased and in case of material sale onto account 542 – Material sold with a corresponding credit on the relevant inventories account,
d) Inventory differences of material and merchandise according to Article 11 shall be debited onto account 549 – Deficits and damages, in the case of deficits and credited onto account 648 – Other operating revenues, in case of surpluses or credited onto accounts in account group 50 – Consumed purchases, if can be proved that the surplus arose from incorrect accounting of material consumption or sold merchandise; material and merchandise decreases up to the amount of natural decrease standards shall be debited onto accounts in account group 50 – Consumed purchases.

(3) Internally produced inventory shall be accounted for as follows using method A:

a) In the course of accounting period, the increase of internally produced inventories valued at actual cost shall be debited onto accounts in account group 12 – Internally produced inventories with a corresponding credit on the relevant accounts of account group 61 – Changes in internal inventory; at the time of inventories discharge, relevant accounts of account group 61 – Changes in internal inventory shall be debited and the relevant accounts of account group 12 – Internally produced inventories shall be credited,
b) Differences in internally produced inventories according to Article 11 shall be debited on account 549 – Deficits and damages in case of a deficit and credited on accounts of account group 61 – Changes in internal inventory in case of surpluses; inventories decreases up to the amount of natural decrease standards shall be debited onto accounts of account group 61 – Changes in internal inventory.

(4) Using method B, inventories shall be accounted for as follows:

a) In the course of a financial year, portions of purchase price of purchased inventories shall be debited onto the relevant accounts of account group 50 – Consumed purchases with a corresponding credit on the relevant accounts of debtors and creditors or on financial accounts, whereby internal company services related to the inventories transport and delivery and the actual cost of material processing shall be activated; material, services and merchandise activation shall be debited onto accounts of account group 50 – Consumed purchases with a corresponding credit in accounts of account group 62 – Own work capitalized,
b) At the time of accounting books closing, the initial balances of accounts 112 – Material in stock and 132 – Merchandise in stock and retail stores shall be debited onto accounts 501 – Consumed material and 504 – Merchandise sold; inventory level according to stock take shall be debited onto account 112 – Material in stock with a corresponding credit on account 501 – Consumed material or account 132 – Merchandise in stock and retail stores with a corresponding entry on account 504 – Merchandise sold; deficits and damages shall be debited on account 549 – Deficits and damages; inventory surpluses shall be credited onto account 648 – Other operating revenues or onto accounts of account group 50 – Consumed purchases, provided it is possible to prove that the surplus was created through incorrect accounting of material consumption or sold merchandise.

(5) Using method B, internally produced inventories shall be accounted for as follows:

a) In the course of accounting period, no accounting entries shall be carried out in account group 12 – Internally produced inventories and cost of production or other activities shall be accounted for on the relevant accounts of account class 5 – Expenses,
b) When closing accounting books, the initial balances of inventories accounted for on the relevant accounts of group 12 – Internally produced inventories shall be debited onto the relevant accounts of account group 61 – Changes in internal inventory; inventories level according to stocktaking shall debited onto the relevant accounts of account group 12 – Internally produced inventories with a corresponding entry onto a relevant account of account group 61 – Changes in internal inventory; deficits shall be debited onto account 549 – Deficits and damages; surpluses shall be credited in correspondence with the relevant account of account group 61 – Changes in internal inventory.

(6) In the case of method B, application for inventories accounting, analytic records shall be also kept in the form of stock records to enable the identification and documentation of inventories and their purchase price portions in the course of a financial year.

(7) At the time of accounting books closing, using both method A and B, inventories that are not present in the accounting entity shall be debited onto account 119 – Material in transit or 139 – Merchandise in transit. Un-invoiced deliveries shall be credited onto account 326 – Unbilled supplies, 476 – Unbilled long-term supplies, 323 – Short-term provisions or onto accounts of account group 45 – Provisions.

(8) When accounting for inventories using method A, material purchases may be entered directly onto account 112 – Material in stock, animals purchase onto account 124 – Animals and merchandise purchases onto account 132 – Merchandise in stock and retail stores.

(9) Inventories handed over into consignation warehouses for processing by a different accounting entity or lent outside the accounting entity shall be recorded on analytic accounts and the location of their storage shall be recorded in analytic records.

(10) Inventories valuations shall be increased by the value of external material processing costs or own costs used for internal material processing.

(11) Inventories accepted by the accounting entity for processing, borrowed from other entities, delivered to the accounting entity by mistake and information on a consignation warehouse shall be recorded on off-balance sheet accounts stating the type of inventories and their valuation.

(12) Renovation of spare parts and modification of inventories performed at own account shall be activated and the cost of renovation and modification form part of the spare parts and inventories in stock valuation.

(13) Transfer of internally produced inventories into own retail stores shall be accounted through account 621 – Capitalization of material and merchandise.

(14) Standards of inventories natural decrease and types of materials accounted directly into consumption without their entry into stock shall be listed in an internal regulation of each accounting entity considering the fact that material consumption stated in financial statements shall represent the actual material consumption.

Article 44

Accounting on Synthetic Accounts in Account Class 1

(1) Calculation account 111 – Acquisition of material is used for the definition of material purchase price when applying method A of inventories accounting. This account shall record a zero balance at the time of accounting books closing.

(2) When applying method A of inventories accounting, purchased and accepted material in stock valued at purchase price and internally produced material valued at own costs shall be accounted for on account 112 – Material in stock. When applying method B of inventories accounting, it shall be used only at the time of accounting books closing.

(3) Settlement of delivered material the accounting entity has no accepted yet[29]), shall be accounted for on account 119 – Material in transit.

(4) When applying method A of inventories accounting, level and changes of work in progress stock shall be accounted for at own cost, representing direct costs and overheads, on account 121 – Work in progress. Work in progress may be accounted for differently

[29]) Article 412 to 416 of Commercial Code.

a) in manufacturing with a short-term permanent cycle, where salaries are accounted first on products or semi-products, and this only in the items of direct material costs,
b) in mass and large series production only at direct costs,
c) in small series production, construction contract and production with a long-term cycle direct costs, production overheads or administration overheads; with administration overheads only if the manufacturing cycle lasts more than one year.

(5) When applying method B of inventories accounting, it shall be accounted on account 121 – Work in progress at the time of accounting books closing.

(6) When applying method A of inventories accounting, level and change of inventories at a value stated on account 121 – Work in progress shall be accounted for on account 122 – Semi-finished products. When applying method B of inventories accounting, entries on this account shall be made at the time of accounting books closing.

(7) When applying method A of inventories accounting, level and change of internally produced products at a value defined on account 121 – Work in progress shall be accounted for on account 123 – Finished goods. When applying method B of inventories accounting, entries on this account shall be made at the time of accounting books closing.

(8) When applying method A of inventories accounting, level and change of animals shall be accounted for on account 124 – Animals. Purchased animal shall be valuated at purchase price. Animals from own breeding, live stock and newly born animals at production cost; if it is impossible to identify the costs, they shall be valuated with reproduction purchase price. When applying method B of inventories accounting, entries on this account shall be made at the time of accounts closing. A provision shall be created for loss due to rifling of a hen flock, designated for the laying of consume eggs, and shall be accounted for on account 323 – Short-term provisions or on account of account group 45 – Provisions.

(9) Calculation account 131 – Merchandise acquisition is used to define the purchase price of merchandise when applying method A of inventories accounting. This account shall record a zero balance at the time of accounts closing.

(10) Level and changes of purchased and accepted merchandise at purchase prices are accounted for on account 132 – Merchandise in store and retail stores. With activated merchandise, valuation stated on account 123 – Finished goods is applied. When applying method B of inventories accounting, entries on this account are made at the time of accounts closing.

(11) Settlement for delivered merchandise the accounting entity has not accepted yet[29)] shall be accounted for on account 139 – Merchandise in transit.

(12) On accounts of account group 19 – Adjusting entries to inventory, the addition of adjusting entries to inventories shall be accounted for with a corresponding debit on account 559 – Additions to other adjusting entries. Decrease or cancellation of adjusting entries to inventories shall be debited onto the relevant accounts of account group 19 – Adjusting entries to inventory with a corresponding entry on account 659 – Accounting for other adjusting entries. In case of inventory consumption, sale or liquidation, the relevant adjusting entry shall be accounted for on account 659 – Accounting for other adjusting entries.

Article 45

Accounting for Inventories in Analytic Records

(1) Analytic records shall be maintained according to inventory types or groups on stock cards or in computer data files. In accounting entities with retail activities, especially according to materially responsible persons and storage places.

(2) Analytic records shall be used for inventory identification and contain especially designation, date of acquisition, date of dispatching, valuation, and data on inventory volume.

Account Class 2 – Financial Accounts

Article 46

Definition of Account Groups Contents

(1) Level and change of cash shall be accounted for on accounts in account group 21 based on accounting documents.

(2) Level and change of accounting unit cash in bank shall be accounted for on accounts of account group 22. Analytic accounts shall be maintained according to bank accounts the accounting entity holds. Based on a bank notice, any changes on respective accounts shall be accounted for on accounts of account group 22. Deposits and withdrawals of cash, transfer between bank accounts shall be accounted for via account 261 – Cash in transit.

(3) Short-term bank loans provided for a maximum of one year, especially bridging loans provided they are not accounted for within the current account, short-term loans provided based on discounted bills of exchange, assigned mortgage bonds shall be accounted for on accounts of account group 23. Analytic accounts shall be maintained according to the relevant bank loan accounts opened by the accounting entity.

(4) Short-term financial assistance (liabilities) provided to the accounting entity by other persons than banks shall be accounted for on accounts of account group 24. Further, in this group shall be accounted for also cash advances provided on the basis of short-term bonds issued by the accounting entity.

(5) Part of financial assets that are assumed to be kept for a maximum period of one year of the relevant accounting transaction shall be accounted for on accounts of account group 25 – Short-term financial assets.

(6) Account group 26 – Transfer between financial accounts shall be used for the bridging of time discrepancy between cash, cheque and other cash form deposits, withdrawals and the acceptance of the given bank balances by the accounting entity. Accounting transactions with time discrepancies in transfers between accounting entity bank accounts shall be accounted for similarly. In account group 26, deposits and withdrawals of cash and cheques shall be accounted for according to cash vouchers or bank account and loan account balances.

(7) Adjusting entries to short-term financial assets accounted for on accounts of account group 25 shall be accounted for on accounts of account group 29.

Article 47

Accounting on Synthetic Accounts in Account Class 2

(1) Level and changes of cash, cheques accepted in place of cash, vouchers awaiting clearance, e.g. vouchers for the demand of merchandise or services shall be accounted for on account 211 – Cash in hand. Wages and salaries in pay envelopes, deposits, provided they have not been handed over to their receiver on the due date, shall be a part of cash in hand. Cash in hand shall not be replaced through vouchers or notes. Cash entrusted to employees for a defined purpose and cheques issued for use shall be accounted for as receivables from employees or partners. Analytic accounts shall record the level and change of foreign currency, cheques, foreign currency vouchers awaiting clearance separately, according to the respective currencies.

(2) Level and change of stamps and vouchers prior to their use, e.g. stamps, food vouchers, fee stamps, telephone cards, and other cards with value that may be used after their discharge, shall be accounted for on account 213 – Stamps and vouchers. Stamps and vouchers entrusted to employees or partners to be used for a defined purpose shall be accounted for as receivables from employees or partners.

(3) Level and change of accounting entity cash in bank shall be accounted for on account 221 – Bank accounts. Bank accounts usually have a positive balance. Account 221 – Bank accounts, is used also in the case of a negative balance on a bank account, e.g. authorised bank overdraft. On the balance sheet, the negative balance shall be stated as a provided short-term bank loan.

(4) Bank loans provided for a period of a maximum of one year shall be accounted for on account 231 – Short-term bank loans with a corresponding debit on account 221 – Bank accounts. If the bank settles a payment order directly from the bank loan, provided loan shall be accounted for in the amount of the performed payment as a credit on the relevant bank loan with a corresponding debit entry on a relevant liability account, e.g. 321 – Suppliers.

(5) Bank loans provided for discounted bills of exchange or other securities taken over by the bank for collection until their maturity shall be accounted for on account 232 – Loans for discounted securities. Following a bank notice delivery on the payment of a bill of exchange or another security by a creditor, loan payment shall be accounted for as a debit on account 232 with a corresponding credit on account 313 – Receivables from discounted securities. Return of unpaid bill of exchange or other security by the bank shall be also debited onto account 232 with a corresponding credit on account 221 – Bank accounts.

(6) Short-term bonds issued by the accounting entity with a maturity of up to one year shall be accounted for on account 241 – Issued short-term bonds.

(7) Accepted short-term assistance provided to the accounting entity by other persons, excluding banks and business company partners, shall be accounted for on account 249 – Other short-term financial assistance. This account shall be used based on agreements or securities issued by the accounting entity, except for short-term bonds accounted for on account 241 – Issued short-term bonds.

(8) On account 251 – Shares and similar securities shall be accounted according to Article 14. Analytic accounts shall be maintained according to respective types of securities, issuers and currency.

(9) Own shares at purchase price and own ownership interests the accounting entity may acquire, and which the accounting unit will acquire temporarily, shall be accounted for on account 252 – Own shares and own ownership interests.

(10) On account 253 – Debt securities for trading shall be accounted according to Article 14 on credit securities that are held for the purpose of dealing in public market. Analytic accounts shall be maintained according to types of securities, issuers and currency.

(11) Own bonds which the accounting entity may hold according to a specific regulation[30)] shall be accounted for on account 255 – Own bonds.

(12) On account 256 – Debt securities with maturity of up to one year held until their maturity shall be accounted according to Article 14.

(13) Other short-term securities that are not traded within the national, foreign stock exchanges, or other public markets shall be accounted for on account 257 – Other realisable securities.

(14) On account 261 – Cash in transit, cash in transit shall be accounted for.

Account Class 3 – Accounting for Receivables and Liabilities

Article 48

(1) The following shall be accounted for in account class 3

a) Long-term trade receivables and short-term trade receivables e.g. from customers; advance payments provided to suppliers and accounted in account group 31 – Receivables except for advance payments provided for long-term assets; differentiation between long-term and short-term receivables in relation to the agreed due date shall be performed on analytic accounts of the relevant accounts,
b) Short-term trade liabilities, e.g. short-term liabilities towards suppliers, received short-term advance payments from suppliers accounted for in account group 32 – Liabilities,

---

[30]) Act No. 530/1990 Coll. on Bonds as amended.

c) In account group 33, receivables and liabilities from and towards employees including social insurance, health insurance, employment and guarantee funds; settlement with institutions of social insurance and health insurance applies to accounting entity, employees and partners in business companies who are also in an employment relation to the company; account group 33 – Receivables and liabilities with employees and institutions of social insurance and health insurance does not cover settlement with business company partners from employment,
d) In account group 34, direct, indirect taxes, fees, subsidies for the acquisition of long-term assets and subsidies for economic activities,
e) In account group 35, provided short-term loans within a consolidated unit, receivables from subscribed equity, short-term receivables from partners and members and receivables from association, according to agreement on association,
f) In account group 36, short-term liabilities from accepted loans within a consolidated unit, liabilities towards partners and members and liabilities from association, according to agreement on association,
g) In accounts group 37, receivables and liabilities from company sale, receivables from bonds issue, as well as other receivables and liabilities that are not accounted for on accounts of previous groups,
h) In account group 38, accounting transactions of costs and revenues deferrals and accruals to secure independence of respective financial years,
i) On account 391 – Adjusting entry to receivables, on account 395 – Internal accounting and on account 398 – Transfer account at association, mutual relations between association members, according to agreement on association.

(2) Analytic accounts shall be created according to respective debtors and creditors, their homogenous groups, and respective types of currencies.

(3) Provided no accounting document has been issued for a debtor prior to the closing of accounts, the receivable amount will be defined based on, e.g. contract or another document and the receivable shall be accounted for on the relevant accounts of receivables it is related to and it is recorded on a separate analytic account. As of the balance sheet date, corrective closing accounting transactions are accounted for, for example, if by the date of accounts closing the accounting entity received information on revenue from the sale of assets the accounting entity had sold prior to the balance sheet date.

Article 49

Accounting for Receivables

(1) Receivables from customers after delivery observation shall be accounted for on account 311 – Customers. Bill of exchange receivables shall not be accounted for on this account.

(2) Acceptance of foreign bills of exchange and bills of exchange accepted from customers and other debtors shall be accounted for on account 312 – Bills of exchange to be collected.

(3) Receivables from bills of exchange handed over to bank for payment until the bills of exchange maturity, as well as other securities handed over for bank discount shall be accounted for on account 313 – Receivables from discounted securities. Bills of exchange and other securities collected by the bank, as well as bills of exchange and other securities not paid and returned by the bank shall be credited onto the account.

(4) Long-term advance payments provided to customers, excluding advance payments provided for long-term assets, shall be accounted for on account 314 – Provided advance payments.

(5) Other trade receivables, for example receivables from suppliers, entitlement to guarantee lump sum at the of liability acceptance for guarantee service, receivables from the sale of long-term assets and material shall be accounted for on account 315 – Other receivables.

Article 50

Accounting for Liabilities

(1) Liabilities to suppliers at the time of payable establishment shall be accounted for on account 321 – Suppliers. Bill of exchange liabilities shall not be accounted for on this account.

(2) Issued own bills of exchange and accepted foreign bills of exchange at the time of their use for the satisfaction of a liability towards a supplier, whereby the bill of exchange liability does not exceed one year for the accounting entity, shall be accounted for on account 322 – Bills of exchange to be paid.

(3) Provisions with settlement period of maximum one year assumed at their establishment, for example for unused vacation including social insurance, complaints, unbilled supplies, if time definition or payable amount are unclear shall be accounted for on account 323 – Short-term provisions.

(4) Received short-term advance payments from customers shall be accounted for on account 324 – Advance payments received.

(5) Other short-term trade liabilities, for example complaints enforced by customer, liability towards business partner accepting guarantee liabilities for sold services or merchandise shall be accounted for on account 325 – Other liabilities.

(6) Items not accounted for as common liabilities, for example unbilled supplies, received services, provided the accounting entity knows the amount of the payable based on a contract, delivery note or another document by the day of accounts closing, shall be accounted for on account 326 – Unbilled supplies. As of the balance sheet date, corrective closing accounting transactions shall be entered, e.g. if based on an accounting document the accounting entity learns about the amount of a liability and purchase price of assets that have been acquired prior to the balance sheet date.

Article 51

Receivables and Payables with Employees and Social and Health Insurance Institutions

(1) Liabilities from legal employment relations including social insurance towards employees or other natural persons and their accounting, excluding liabilities towards partners and members of cooperatives from earned income shall be accounted for on account 331 - Employees. Analytic records shall be maintained according to respective employees on pay records.

(2) Various liabilities towards employees, e.g. employee entitlement to travel costs reimbursement, shall be accounted for on account 333 – Other liabilities to employees.

(3) Various receivables from employees, e.g. provided advance payments for travel costs, advance payments for settlement, application of reimbursement from employee, shall be accounted for on account 335 – Receivables from employees.

(4) The following shall be accounted for on account 336 – Liabilities and receivables from social insurance and health insurance institutions

a) Onto this account shall be credited liabilities from social insurance to the Social Insurance Institution and the relevant health insurance institution paid by the employer with corresponding debit on accounts 524 – Legal social insurance or 525 – Other social insurance; amounts paid for natural person – entrepreneur shall be debited on account 526 – Natural person – entrepreneur social expenses and amounts paid by employee shall be debited onto account 331 – Employees or 366 – Liabilities to partners and members from income earned,
b) To this account shall be debited entitlements to the payment of social benefits with corresponding credit on account 331 – Employees and 366 – Liabilities to partners and members from income earned.

Article 52

Accounting for Taxes and Subsidies

(1) Income tax advance payments of an accounting entity paid throughout a financial year and income tax deducted according to a specific regulation[30a)] shall be accounted for on account 341 – Income tax, provided the deducted income tax is included as a tax advance for the entire financial year according to the specific regulation[4)].

(2) At the time of accounts closing, account 341 shall be credited with the accounting entity liability from paid income tax towards tax authority for the financial year according to tax return with a corresponding debit on account 591 – Income tax on ordinary activities – current, or on account 593 – Income tax on extraordinary activities – current.

(3) Income tax paid to the tax authority by the accounting entity as income tax payer, collected from tax payer or withheld the tax payer from income, e.g. employees, shareholders at the time of dividends distribution, shall be accounted for on account 342 – Other direct taxes.

(4) Account 343 – Value added tax shall be debited in the case of value added tax deduction. Account 343 – Value added tax shall be credited with accounting entity tax liability from value added tax. On account 343 – Value added tax, it shall be accounted for transaction of value added tax assessment base adjustment in the case of tax liability from value added tax increase or decrease.

(5) When receiving service without any possibility of value added tax deduction according to a specific regulation[30b)] the value added tax shall be credited on the relevant liabilities account with a corresponding debit on the relevant cost account.

(6) Value added tax the receiver is obliged to apply from merchandise or service received[30c)] shall be credited onto the relevant analytic account 343 – Value added tax with a corresponding debit on the relevant analytic account 343 – Value added tax, provided entitlement to tax deduction arises, on the day of tax liability establishment according to a specific regulation[30d)]. If the day of tax deduction entitlement differs from the day of tax liability establishment, value added tax shall be re-classified between analytic accounts of account 343 – Value added tax on the day of value added tax deduction entitlement.

(7) When acquiring assets in the form of merchandise according to a specific regulation[30e)], when no entitlement to value added tax deduction is established according to a specific regulation,[30b)] value added tax forms part of purchase price.

(8) The following shall be accounted for on account 345 – Other taxes and fees

a) The account shall be credited with tax liability of an accounting entity according to tax documents on consumption tax[31)] for a financial year towards the relevant tax authority with corresponding debit on accounts 311 - Customers, 315 – Other receivables, 335 – Receivables from employees, 378 – Other receivables or on accounts in account class 1 and account class 5, provided the taxable payment was made for the needs of the accounting entity or in the case of free performance for the benefit of other persons, as well as in the case of deficits or damages to property,
b) The account shall be debited with consumption tax payments or fixed advances and settlement of tax liabilities from consumption tax and receivables towards the relevant tax authorities for consumption tax refunds for a financial year with a corresponding credit on accounts 321 – Suppliers, 325 – Other liabilities, 379 – Other liabilities, 471 – Long-term liabilities within consolidated unit and 479 – Other long-term liabilities.

30a) Article 43 paragraph 7 of Act No. 595/2003 Coll.
30b) Act No. 222/2004 Coll. on Value Added Tax as amended.
30c) Article 69 paragraphs 2 to 4, 6, 7, and 9 of Act No. 222/2004 Coll. as amended by Act No. 651/2004 Coll.
30d) Articles 19 and 20 of Act No. 222/2004 Coll. as amended by Act No. 651/2004 Coll.
30e) Article 8 of Act No. 222/2004 Coll. as amended by Act No. 651/2004 Coll.
31) For example, Slovak Republic National Council Act No. 309/1993 Coll. on Consumption Tax from Wine as amended. Slovak Republic National Council Act No. 229/1995 Coll. on Consumption Tax from Liquor as amended.

(9) Accounting for consumption tax will be organised so as to enable documentation of the following facts to the relevant tax authority with reference to tax return

a) Tax liability for the financial year,
b) Entitlement for tax refund for the financial year,
c) Settlement of consumption taxes expressing the total resulting relation towards the relevant tax authority for the financial year.

(10) Other taxes, like road tax, real estate tax, inheritance tax, donation tax, and real estate transfer tax shall be also accounted for on account 345.

(11) Fees shall be credited onto account 345 with a corresponding debit on account 538 – Other taxes and fees. Payment of fees shall be debited to account 345.

(12) The following shall be accounted for on accounts 346 – Subsidies from state budget and 347 – Other subsidies

a) Received subsidies shall be credited onto these accounts,
b) These accounts shall be debited with the declaration of subsidies, namely
   1. Subsidies for the acquisition of long-term assets and technical valorisation with a corresponding credit on account 384 – Deferred income,
   2. Subsidies for economic activities with a corresponding credit on account 648 – Other operating revenues, provided the subsidy was provided for the payment of costs, and this in time and material relation to the recording of costs spent on the relevant purpose the subsidies for economic activities were provided for,
   3. Subsidies for the payment of interests with a corresponding credit on account 668 – Other financial revenues and this time and material relation with the recording of interests into financial costs.

(13) The allocation of subsidy, support, and contribution from state budget and allocation of subsidy from the funds of European Community according to a specific regulation[32)] shall be accounted for on account 346 – Subsidies from state budget.

Article 53

Accounting for Receivables from Partners, Cooperative Members and Association Participants

(1) On account 351 – Receivables within the consolidated unit shall be accounted for as short-term loans provided by accounting entities within the consolidated unit.

(2) Receivables from subscribers, namely shareholders, partners and cooperative members shall be accounted for on account 353 – Receivables related to unpaid share capital. The account balance represents subscribed unpaid shares or contributions.

(3) Short-term receivables from partners in partnerships, general partners in limited partnerships, partners in limited liability companies or cooperative members in the amount of defined loss payment shall be accounted for on account 354 – Receivables from partners and members to cover losses with a corresponding entry on account 596 – Transfer of profit or loss to partners or account 431 – Profit or loss to be approved.

(4) For example, short-term receivables from loans provided to partners in business companies, late payment fee for overdue payment of a partnership, limited partnership or limited liability company partner cash investment shall be accounted for on account 355 – Other receivables from partners and members.

(5) Receivables from association participants shall be accounted for on account 358 – Receivables from participants in an association, provided that

a) No independent legal entity is established,
b) None of the association participants is authorised to act as association administrator whereby the association participants approve the balance of this account.

Article 54

Accounting for Liabilities to Partners, Cooperative Members and Participants in an Association

(1) Short-term liabilities, e.g. due to loans received from an accounting entity in a consolidated unit, shall be accounted for on account 361 – Liabilities within the consolidated unit.

(2) Liabilities to partners, including shareholders in business companies or cooperative members, in the amount of their share on company or cooperative profit shall be accounted for on account 364 – Liabilities towards partners and members at profit distribution, with a corresponding entry on account 596 – Transfer of profit or loss to partners, in the case of partners in a partnership and general partners in a limited partnership, and on account 431 – Profit or loss to be approved, in the case of partners in other business companies, cooperative members and limited partners in limited partnerships.

(3) Short-term liabilities, e.g. from loans provided by business company partners, liabilities due to interests on paid up investments of partners in partnerships, limited partnerships and limited liabilities companies shall be accounted for on account 365 – Other liabilities to partners and members.

(4) Liabilities to partners in a limited liability company, limited partners in limited partnerships and cooperative members from legal employment relations, including social insurance, shall be accounted for on account 366 – Liabilities to partners and members from income earned.

[32]) Act of the Slovak Republic National Council No. 303/1995 Coll. on Budgetary Rules as amended.

(5) Liabilities of the accounting entity as a shareholder or partner in another business company, or as a cooperative member for received, but unpaid securities and contributions shall be accounted for on account 367 – Liabilities from subscribed unpaid securities and deposits.

(6) Liabilities to participants in an association shall be accounted for on account 368 –Liabilities to participants in an association, provided that

a) No independent legal entity is created,
b) None of the association participants is authorised to act as association administrator whereby the association participants approve the balance of this account.

Article 55

Accounting for Other Receivables and Liabilities

(1) In seller's books of accounts, receivables from the sale of an enterprise or its part according to Article 27 shall be accounted for on account 371 – Receivables from the sale of enterprise.

(2) In buyer's books of accounts, liabilities from the purchase of an enterprise or its part according to Article 27 shall be accounted for on account 372 – Liabilities from the purchase of enterprise.

(3) It shall be accounted for on account 373 – Receivables and liabilities from fixed term transactions according to Article 16.

(4) In lessor´s books of accounts, receivables from assets leasing, including financial leasing, shall be accounted for on account 374 – Receivables from leasing.

(5) In books of account of bonds issuer, the following shall be accounted for on account 375 – Receivables from issued bonds

a) The account shall be debited with the issue of
   1. long-term bonds with a corresponding entry on account 473 - Issued bonds,
   2. short-term bonds with a corresponding entry on account 241 - Issued short- term bonds,
b) The account shall be credited with the bonds payment from owner.

(6) Analytic accounts to this account shall be maintained according to the relevant bond issues.

(7) On account 376 – Options purchased shall be accounted for according to Article 16. For this purpose, analytic accounts shall be structured into call options and put options.

(8) It shall be accounted for on account 377 – Options sold according to Article 16. For this purpose, analytic accounts shall be structured into call options and put options.

(9) Receivables and short-term liabilities that are not included in the previous accounts of receivables and liabilities in account class 3 shall be accounted for on accounts 378 – Other receivables and 379 – Other liabilities, for example

a) Receivable from a person responsible for damage or deficit reimbursement with a corresponding entry on account 648 – Other operating revenues and receivable from insurance institution as a result of insured events,
b) Liability from responsibility for caused damage, with a corresponding entry on account 548 – Other operating expenses, provided the given liability does not have the character of provision,
c) Liability to a customs office due to customs fees, value added tax, and liability from consumption taxes at import; analytic accounts shall record separately settlement of customs fees and value added tax and of respective consumption taxes at import; with reference to tax return on value added tax and consumption tax, analytic accounts of account 379 – Other liabilities have to be maintained so as to enable documentation of value added tax and consumption tax payment to the customs office and entitlement to refund from value added tax and consumption tax to the tax authority,
d) Receivable of partner or member for approved shares in profit, settlement shares and shares on liquidation balance,
e) Liabilities of a partner or member from the payment of loss in a business company or co-operative.

Article 56

Accruals and Deferrals Accounts

(1) Expenses and revenues shall be accrued on accounts of account group 38 – Accruals and deferrals of expenses and revenues.

(2) Expenses of common financial year related to future expenses shall be recorded on actual accounts in accounts of account class 5, e.g. leasing paid in advance and subscription, shall be accounted for on account 381 – Prepaid expenses.

(3) Accounting of deferred expenses shall take place on the relevant cost account in the financial year the deferred expenses are materially related to.

(4) Deferred expenses recorded in relation to a specific purposes shall be accounted for on account 382 – Complex prepaid expenses.

(5) Accounting of complex prepaid expenses shall take place on the relevant cost accounts in the financial year that the deferred expenses are materially related to.

(6) The following are not accrued and deferred, for example cost of products preparation and commissioning, cost of fusion, merger or division of companies and with the change of their legal form, cost of own equity capital acquisition, e.g. subscription of new shares and other increases of equity and the related costs, such as notary and legal fees, provisions to dealers,

securities issuer brochure, training and seminar costs, marketing and other studies, market research, cost of standards and certificates acquisition, cost of products marketing, cost of restructuring and reorganisation of company or its part, cost of production extension, cost of advertising and promotion, penalties, fines, deficits and damages, as well as other similar expenses; they shall be accounted for as costs in the financial year they arose in. If such services are paid in advance, e.g. paid advertising surfaces, broadcasting time, promotion space, they shall be accrued and deferred.

(7) Accruals and deferrals of common financial year expenses related to expenses in specific future periods, e.g. leasing fees paid backwards, shall be accounted for on account 383 – Accrued expenses.

(8) Accrued expenses shall be accounted for at the time of the expense itself.

(9) Income in a common financial year materially belonging to revenues in future periods, e.g. leasing fees received in advance, advance lump sums for the provision of servicing and received subscriptions shall be accounted for on account 384 – Deferred income.

(10) Deferred incomes shall be accounted for in the financial year they are materially related to.

(11) Received payments for performed relocation of distribution networks according to specific regulation[26)] shall be deferred in the value of such equipment depreciation.

(12) Subsidies for the acquisition of long-term assets shall be diluted in revenues in time and material relation with the accounting of depreciation from long-term tangible assets the subsidy was provided for, from the start of the use of such assets. Subsidies for the purchase of land conditioned by construction activities on such land shall be diluted into revenues during a period defined for structure depreciation.

(13) Accrued and deferred revenues belonging to the common financial year in terms of time and materiality, but related to revenues in certain future periods, e.g. leasing fee received backwards, shall be accounted for on account 385 – Accrued income. Account 385 shall be debited with a corresponding credit on the relevant revenues accounts of account class 6.

Article 57

Accounting for Adjusting Entry to Debtors and Creditors and Internal Accounting

(1) The establishment of adjusting entry to receivables as well as its decrease or cancellation shall be accounted for on account 391- Adjusting entry to receivables. On analytic accounts, adjusting entries shall be structured into adjusting entries according to specific regulation[4)] and other adjusting entries to receivables.

(2) Relations between respective internal organisational units of an accounting entity depending on the accounting unit accounting organisation, shall be accounted for on account 395 – Internal accounting. At the time of accounts closing, this account shall have no balance.

(3) On account 398 – Transfer account at association, operations towards participants in an association shall be accounted for, provided that

a) No independent legal entity is established,
b) One of the association participants has been authorised to act as cash or other association assets administrator.

(4) In the association administrator accounting and in the participants accounting, account 398 – Transfer account at association shall record invested funds and other accounting transactions. When closing accounts, account 398 – Transfer account at association shall be approved between the association administrator and respective participants to the association. Accounting on account 398 shall be organised so as to provide data on the share of respective participants in the association assets, revenues, and expenses.

Account Class 4 – Capital Accounts and Long-Term Liabilities

Article 58

The following shall be accounted for in account class 4
a) Share capital, capital funds, profit funds, valuation differences, transferred profit or loss, profit or loss to be approved,
b) Provisions,
c) Long-term bank loans,
d) Long-term liabilities,
e) Deferred tax liability an deferred tax receivable,
f) Equity of natural person- entrepreneur.

Article 59

Accounting of Equity

(1) Equity of an accounting entity representing the difference between assets and liabilities shall be accounted for on accounts of account groups 41 to 43.

(2) The following funds shall be accounted for in the accounting of an accounting entity:

a) Capital funds created and amended from capital monetary and non-monetary contributions,
b) Funds created from an accounting entity profit.

(3) On account 411 – Share capital, share capital and their changes shall be accounted for according to Article 25.

(4) On analytic accounts of account 411 – Share capital, the following shall be recorded separately

a) share capital established through investments,
b) share capital created directly or indirectly from profit,
c) For cooperatives, share capital structured to assets entered and not entered into the Commercial Register,
d) According to respective partners and cooperative members, who invested or whose investment was increased from profit.

(5) The difference between rated value of shares and the amount paid for shares (rate of issue) according to a specific regulation[34], or investments at the time of share capital increase through new shares or investments subscription shall be accounted for on account 412 – Share premium.

(6) Other capital investments, both monetary and non-monetary, which do not increase company share capital at the time of their establishment, and which do not have an individual synthetic account in the previous accounts of this accounts group, shall be accounted for on account 413 – Other capital funds. Especially received donations, membership shares in cooperatives for housing construction and state contribution shall be credited onto this account. Analytic accounts of account 413 shall be maintained according to respective capital funds with special accounting of donations, membership shares and state contribution.

(7) The creation of gains or losses from re-valuation of assets and liabilities according to Article 14 and 16 shall be accounted for on account 414 – Differences from revaluation of assets and liabilities. Apart from establishment of gains or losses from re-valuation, their dissolution shall also be accounted for on this account using reverse entries.

(8) In the accounting of a business company partner and cooperative member, positive or negative difference between accepted valuation and book valuation of their material investment at the time of investment into the company or cooperative shall be accounted for on account 415 – Investment revaluation reserves. Increases or decreases of security and share material value at the time of a business company or cooperative share capital increase from assets exceeding this share capital or at the time of share capital decrease shall are also be accounted for on this account. The relevant part of this account balance shall be accounted for on account 568 – Other financial expenses or account 668 – Other financial revenue at sale or other decrease of securities and shares. Gains or losses from investments are temporary differences and both theirs establishment and dissolution shall be accounted for on account 415 – Investment revaluation reserves.

(9) On account 416 –Differences from re-valuation at merger, fusion or division, the ceasing of accounting entity shall account according to Article 26.

(10) On account 417 – Legal reserve fund from capital contributions, the reserve fund[35] shall be accounted for.

(11) On account 418 – Indivisible fund from capital contributions, the indivisible fund[35] shall be accounted for.

(12) On account 419 – Changes in share capital, it shall be accounted according to Article 25. Analytic accounts shall be maintained according to the respective investors who committed to increase share capital through their investment.

(13) Creation and amendment of reserve fund from accounting profit according to a specific regulation[35] shall be accounted for on account 421 – Legal reserve fund. Analytic accounts according to respective created funds shall be maintained to account 427 – Other funds. Funds according to previous paragraphs shall not be created and used as a debit item in expenses and revenues.

(14) Apart from other facts defined by this regulation, significant corrections of mistakes for previous financial years and differences from changes of used accounting methods and principles according to Article 7 paragraph 3 of Act shall also be accounted for on account 428 – Retained earnings from previous years or account 429 – Accumulated losses from previous years. Differences from the change of assets and liabilities book value resulting from the change of valuation according to Article 26 and 27 of Act, e.g. accounting of adjusting entry to disputed and questionable receivables, adjusting entry to old inventories and unusable inventories, changes in long-term assets, term of use and method of wear and tear and amount of reserve for warranty servicing, shall not be considered as corrections of mistakes made in previous financial years.

(15) Distribution of book profit or organisation of book loss is accounted for on account 431 – Profit or loss to be approved. Royalties and dividends payable according to an accounting entity decision on book profit distribution, provided no special profit funds are created for this purpose, shall also be debited on account 431. As of the day of accounts closing, this account shall show a zero balance.

Article 60

Accounting for Provisions

(1) The creation, use and cancellation of provisions shall be accounted for on accounts of account group 45 – Provisions. Analytic accounts shall be maintained according to the relevant provisions.

(2) Provisions, excluding provisions for tangible assets repair, shall be accounted for on account 451 – Legal provisions.

Article 61

Accounting for Long-Term Liabilities

(1) Bank loans with long-term character shall be accounted for on accounts of account group 46 – Bank loans. Long-term character of a bank loan means agreed maturity exceeding one year. Long-term bank loans provided at the time of bills of exchange discounting shall be accounted for similarly. Analytic accounts shall be maintained according to the respective loans provided to the accounting unit and according to respective banks.

[34]) Article 157 of Commercial Code as amended.
[35]) Commercial Code as amended.

(2) Trade liabilities and liabilities from other relations with a maturity exceeding one year shall be accounted for on accounts of account group 47 – Long-term liabilities. Analytic accounts shall be maintained according to respective creditors.

(3) Liabilities towards accounting entity within consolidated unit shall be accounted for on account 471- Long-term liabilities within consolidated unit. Analytic accounts shall record separately liabilities from capital operations and from business relations.

(4) The creation and use of social fund shall be accounted for on account 472 – Liabilities related to social fund. Legal contributions to social fund according to a specific regulation[36)] shall be credited onto account 472 – Liabilities related to social fund and debited onto account 527 – Legal social expenses.

(5) Further fund sources according to a specific regulation[37)] shall be credited to account 472 – Liabilities related to social fund and debited to account 221 – Bank accounts.

(6) Employer contributions according to a specific regulation[38)] shall be credited onto account 472 – Liabilities related to social fund and debited onto account 431 – Profit or loss to be approved.

(7) In book accounts of Bonds issuer, issued bonds in the amount of the issue shall be accounted for on account 473 – Issued bonds with a corresponding entry on account 375 – Receivables from issued bonds.

(8) In book accounts of lessee, long-term payables from assets leasing, including financial leasing, shall be accounted for on account 474 – Liabilities under leasing contracts.

(9) Received advance payments from customers shall be accounted for on account 475 – Long-term advance payments received.

(10) Items not accounted as common liabilities with maturity exceeding one year, e.g. unbilled supplies, provided services shall be accounted for on account 476 – Unbilled long-term supplies, provided the accounting entity is aware of the actual liability amount based on a contract, delivery note or other document.

(11) Own and foreign accepted bills of exchange shall be accounted for on account 478 – Long-term bills of exchange to be paid.

(12) Remaining long-term liabilities having no separate synthetic account in the previous accounts of account group 47, shall be accounted for on account 479 – Other long-term liabilities. Liabilities resulting from silent partnerships shall also be accounted for on this account.

(13) Deferred income tax shall be accounted for on account 481 – Deferred tax liability and deferred tax receivable.

Article 62

Accounting for Equity of Natural Person – Entrepreneur

(1) Account 491 – Equity of natural person – entrepreneur is used for the accounting of all personal investments at the beginning of business activities, withdrawals of a natural person and received donations. When opening accounts, this account is charged with book profit or loss for the previous financial year with a corresponding entry on account 431 – Profit or loss to be approved.

(2) Account 491 may have both passive and active balance.

(3) Analytic accounts of account 491 shall record separately received donations, profit or loss of previous financial years.

Account Class 5 - Expenses

Article 63

(1) Primary and secondary expenses shall be accounted for in account class 5. On respective accounts of this accounts class, accounting transactions shall be recorded cumulatively from the beginning of the financial year and this accrued and deferred.

(2) Should settlement for received services or expenses included according to other accounting documents include also amounts that do not belong into accounting entity expenses, e.g. the cost of private phone calls, transport fees, rental fees, the cost of electric energy, it is possible to do the following:

a) If claims of the accounting entity towards, e.g. employees, partners or members are identified prior to putting to accounts, amounts of such claims shall be accounted for directly onto the relevant accounts in account class 3 – Accounting for receivables and liabilities,
b) If such claims are not identified prior to putting to accounts, amounts of such claims shall be accounted for on accounts in account class 5; expenses recorded on accounts in account class 5 shall be decreased by additionally received or settled claims on accounts in accounts class 3,
c) In accounting entities providing services, e.g. travel agencies, catering, entire amounts of invoices or other documents shall be accounted for in account class 5 and takings for the provided services shall be accounted for in account class 6.

(3) Balances of accounts in account class 5 shall be debited onto account 710 – Profit and loss account at the time of accounts closing.

---

[36]) Article 3 Para. 1 Letter a) of Slovak Republic National Council Act No. 152/1994 Coll. on Social Fund and on change and amendment of Act No. 286/1992 Coll. on Income Tax as amended.
[37]) Article 4 Para. 2 of Slovak Republic National Council Act No. 152/1994 Coll.
[38]) Article 4 Para. 3 of Slovak Republic National Council Act No. 152/1994 Coll.

Article 64

Definition of Account Groups of Operating Expenses

(1) On accounts of account group 50 – Consumed purchases, it shall be accounted for according to the selected method of inventory accounting

a) With method A of inventory accounting
   1. During the financial year, consumed material items and sold merchandise items shall be debited onto accounts 501 – Consumed material and 504 – Merchandise sold with a corresponding credit on inventory accounts,
   2. Stock-taking differences shall be accounted for depending on their character according to Article 43,

b) With method B of inventory accounting
   1. During the financial year, expenses representing the purchase price of the respective purchase items shall be debited onto account 501 – Consumed material and 504 _ Merchandise sold,
   2. At the time of accounts closing, initial balances of accounts 112 – Material in stock and 132 - Merchandise in stock and retail stores shall be charged with a corresponding debit on accounts 501 – Consumed material and 504 – Merchandise sold; final levels of material and merchandise inventory verified through stock-take shall be debited onto accounts 112 – Material in stock and 132 – Merchandise in stock and retail stores and shall be credited onto accounts 501 – Consumed material and 504 – Merchandise sold.

(2) The cost of utilities, e.g. water, steam, gas and electric energy shall be accounted for on account 502 – Consumed energy.

(3) Non inventory purchases shall be accounted for on account 503 – Consumption of other non-inventory items.

Article 65

Account Group 51 – Services

Primary expenses for external services shall be accounted for on accounts of this group, excluding account 513 – Representation expenses, where expenses for representation shall be accounted for, including own services used for the purposes of representation. On account 518 – Other services, e.g. rental fees, postal charges and consulting shall be accounted for. Intangible assets that have not been classified into long-term intangible assets shall also be accounted for here.

Article 66

Account Group 52 – Personnel Costs

All employee benefits, including partner or cooperative member's income earned shall be accounted for on accounts 521 – Wages and salaries, 522 – Employment remuneration of partners and cooperative members, 523 – Remuneration of board members of company and cooperative. Wages and salaries are always accounted for in gross values on these accounts. The gross wage shall include wages in kind, provided it is part of the wage. Also creation of social fund pursuant to Article 61 Para. 4 to 6 shall be accounted for on accounts of this account group. Account 524 – Legal social insurance shall also be debited with the contribution to guarantee fund.

Article 67

Account Group 53 – Taxes and Fees

(1) Taxes, levies and similar payments having the character of costs shall be accounted for in this group, provided the accounting entity is a tax payer, excluding income tax that shall be debited on accounts in account group 59 – Income tax and transfer accounts.

(2) Additional tax levies for the previous year, including value added tax for past years, provided it is not possible anymore to increase the value of long-term intangible assets, inventory and receivables by this amount, shall be accounted for on account 538 - Other taxes and fees. Additional levies of consumption taxes related to the actual products consumption shall be accounted for on this account.

Article 68

Account Group 54 – Other Operating Expenses

(1) Account 541 – Carrying value of long-term intangible and tangible assets sold shall be debited with the difference between the price of sold assets accounted for on accounts of account groups 01 – Long-term intangible assets, 02 – Long-term tangible assets – depreciated and the created accumulated depreciations. Further, this account shall be debited in relation to the sale of non-depreciated long-term tangible assets its value accounted for on accounts of account group 03 – Long-term tangible assets – non-depreciated and the value accounted for on accounts 041 and 042 in case of unfinished long-term assets sale.

(2) Account 542 – Material sold shall be debited in relation to sale with the decrease of purchased material level at purchase price, or internally produced material at production cost.

(3) Account 543 – Donations, shall be debited with the free hand over of assets based on the voluntary performance of an accounting entity. For example, carrying value of donated long-term intangible and tangible assets including tax payable due to value added tax applying to free performance, shall be accounted for on this account.

(4) Accounts 544 – Contractual fines, penalties and interests on late payment and 545 – Other fines, penalties and interests on late payment shall be debited especially with accepted sanction items based on relevant contracts, documents, regardless of

the payment taking place and pay off in case of contract termination.[39)] Late payment fees according to loan agreement shall not be accounted for here.

(5) Account 546 – Write-off of receivables, shall be debited in the event of permanent waiver of its enforcement.

(6) On account 546 – Write-off of receivables, the assigned operational receivables and receivables write-off according to a specific regulation[16)] shall be accounted for.

(7) Account 548 – Other operating expenses shall be debited with other items not accounted for on previous accounts related to operation, e.g. contributions to legal entities. The actual analytic account of this account shall record differences resulting from the decrease of regulated prices according to a specific regulation Act[40)].

(8) Account 549 – Deficits and damages shall be debited with deficits and damages to long-term assets, deficit of purchased inventory, as well as of internally produced inventory. Should a decision be made on the suspension of work, on the preparation or construction of acquired long-term assets (frozen investments), amounts related to this accounting transaction, and accounted for on accounts 041 – Acquisition of long-term intangible assets and 042 – Acquisition of long-term tangible assets, shall be written-off as a debit on account 549 – Deficits and damages, and this on the day of the decision on work suspension, provided it is a damage. In remaining cases, account 548 – Other operating expenses shall be debited. On this account, inventory loss up to the level of the defined standard for natural loss shall not be accounted for. Depending on their character, these shall be debited on account 501 – Consumed material, 504 – Merchandise sold or debited onto accounts in account group 61 – Changes in internal inventory. The necessary slaughter of animals shall be accounted for as sale of animals even though no proceeds were produced.

Article 69

Account Group 55 – Depreciations, Provisions and Adjusting entries to Operating Expenses

(1) Expenses related to operations that are not accounted for on accounts in account groups 50 to 54 shall be accounted for in these account groups.

(2) Depreciations according to depreciation plan shall be accounted for on account 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets. Carrying value of sold long-term intangible and tangible assets shall be debited onto account 541 – Carrying value of long-term intangible and tangible assets sold. Carrying value of long-term intangible and tangible assets at the time of their physical liquidation due to wear and tear shall be also accounted for on account 551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets. Residual value of long-term intangible and tangible assets due to deficits and damages shall be debited directly on account 549 – Deficits and damages.

(3) Apart from the depreciation of long-term intangible and tangible assets, the creation of legal provisions shall be also accounted for in this group on account 552 – Additions to legal provisions, with a corresponding credit on account 451 – Legal provisions or account 323 – Short-term provisions. Additions to other reserves shall be accounted for on account 554 – Additions to other provisions with a corresponding credit on account 323 – Short-term provisions or accounts in group 45 – Provisions, except for account 451 – Legal provisions.

(4) Account 555 – Accounting for complex deferred expenses shall be debited with items of complex expenses materially related to the common financial year, with a corresponding credit on account 382 – Complex prepaid expenses.

(5) Account 557 – Accounting for accumulated depreciation of adjusting entry to acquired assets shall be debited with amounts expressing gradual limitation of adjusting entry to purchased assets with corresponding credit on account 098 – Accumulated depreciations of adjusting entry to acquired assets.

(6) Corresponding accounts of account 558 – Additions to legal adjusting entries, 559 – Additions to other adjusting entries are accounts of groups 09 – Adjusting entries to long-term assets, excluding accounts 096 – Adjusting entry to long-term financial assets, 097 – Adjusting entry to acquired assets and 098 – Accumulated depreciation of adjusting entry to acquired assets. Further, corresponding entries on these accounts shall be made with accounts in group 19 – Adjusting entries to inventory and account 391 – Adjusting entry to receivables.

Article 70

Account Group 56 – Financial Expenses

(1) Decrease of securities and shares shall be accounted for on account 561 – Securities and Shares sold with corresponding entries on accounts of account groups 06 – Long-term financial assets and 25 – Short-term financial assets at the time of their sale. In the case of debt securities sale, aliquot revenue shall be accounted for on the day of their sale.

(2) Account 562 – Interest paid shall be debited with payment due as interest to banks, suppliers, in relation to loans, financial operations, e.g. discount of securities.

(3) Account 563 – Exchange rate losses shall be debited with exchange rate losses according to Article 24.

(4) Account 564 – Cost of securities revaluation and account 566 – Costs of short-term financial assets shall be debited according to Article 14.

(5) Account 567 – Cost of derivative operations shall be debited according to Article 16.

---

[39]) For example Article 355 of Commercial Code.
[40]) Slovak Republic National Council Act No.18/1996 Coll. on Prices as amended.

(6) Account 568 – Other financial expenses shall be debited with expenses of monetary operations, e.g. bank expenses, insurance costs, expenses related to the obtaining of bank guarantees and similar bank expenses, as well as deposit fees, except for cases, where they are part of assets purchase prices.

Article 71

Account Group 57 – Provisions and Adjusting Entries to Financial Expenses

(1) Account 574 – Additions to provisions shall be debited with additions to provisions related to financial expenses with a corresponding credit on account 323 – Short-term provisions or on accounts of account group 45 – Provisions.

(2) Account 579 – Additions to adjusting entries shall be debited with a corresponding credit on account 096 – Adjusting entry to long-term financial assets and on account of account group 29 – Adjusting entries to short-term financial assets.

Article 72

Account Group 58 – Extraordinary Expenses

(1) Accounting transaction of extraordinary character with respect to an accounting entity common business, as well as random extraordinary transactions shall be accounted for on accounts of this group.

(2) Account 582 – Damages shall be debited with damages caused to assets for various reasons, e.g. as a result of a natural disaster.

(3) Account 584 – Additions to provisions shall be debited with provisions for expenses having the character of extraordinary expenses with a corresponding credit on account 323 – Short-term provisions or on accounts of account group 45 – Provisions.

(4) Account 588 – Other extraordinary expenses shall be debited with changes expenses of past financial years, provided these are significant items. Expenses caused by assignment or termination of operating activities or portions of operating activities of an accounting entity shall be accounted for on this account with a corresponding credit on account 597 – Transfer of operating expenses or account 598 – Transfer of financial expenses. In the case of a company, or its part sale, it shall be accounted according to Article 27 in the accounting of the seller on this account.

(5) Account 589 – Additions to adjusting entries shall be debited with a corresponding credit on accounts of account group 09 – Adjusting entries to long-term assets, 19 – Adjusting entries to inventory, 291 – Adjusting entry to short-term financial assets and account 391 – Adjusting entry to receivables, provide they are related to extraordinary expenses.

Article 73

Account Group 59 – Income Tax and Transfer Accounts

(1) Amount of taxes payable at the time of accounts closing shall be debited onto account 591 – Income taxes on ordinary activities – current, for the part related to economic results from ordinary activities, 593 - Income tax on extraordinary activities – current, for part related to extraordinary economic result, with a corresponding credit on account 341 – Income tax.

(2) The amount of deferred income tax shall be accounted for according to Article 10 depending on its character on account 592 – Income tax on ordinary activities – deferred, for the part related to economic results from ordinary activities, and account 594 – Income tax on extraordinary activities – deferred, for the part related to extraordinary economic result, with a corresponding debit or credit on account 481 – Deferred tax liability and deferred tax receivable.

(3) Account 595 – Supplementary income tax levies shall be debited with supplementary tax levies for previous years and this account shall be credited with entitlements to income tax refunds for previous years with a corresponding credit or debit on account 341.

(4) Entitlement to profit share or obligation of loss payment by partners of a partnership or general partners of a limited partnership shall be accounted for on account 596 – Transfer of profit or loss to partners, with corresponding entry on account 364 – Liabilities towards partners and members at profit distribution or account 354 – Receivables from partners and members to cover loss.

(5) Account 597 – Transfer of operating expenses shall be credited with expenses related to the assignment or termination of operating activities, or part of an accounting entity operating activities, with a corresponding debit on account 588 – Other extraordinary expenses, or on accounts of group 56 – Financial expenses, in the case of a financial character of such expenses.

(6) Account 598 – Transfer of financial expenses shall be credited with the transfer of financial expenses debiting operating expenses on account 548 – Other operating expenses or one of the accounts in account group 58 – Extraordinary expenses to document objectively operating, financial and extraordinary economic result.

Account Class 6 - Revenues

Article 74

(1) In account class 6, revenues shall be accounted for cumulatively from the beginning of the financial year onwards. Initial revenues shall be accounted for accrued and deferred in this account class. Value added tax shall be credited on account 343 – Value added tax.

(2) Discounts and deductions, e.g. cash discounts, bonuses, rebates, credit notes, form part of supplier takings, however, they may have individual analytic accounts established. Discounts and deductions shall be accounted for, if they apply to the change of a delivery or service price, regardless of the customer being or not being entitled to it in advance, or regardless of the discount being additionally acknowledged, e.g. for poor quality.

(3) Deducted income tax shall be debited onto account 341 – Income tax, provided it is added to the total tax payable[4)]. If the paid amount of tax advance is considered a satisfaction of tax liability[4)] it shall be debited onto account 591 – Income tax on ordinary activities – current. In other cases, revenues subject to special income tax rate and the amount of income tax deducted shall be debited onto account 591 – Income tax on ordinary activities – current. Dividends, profit shares, liquidation balance shares or similar transactions shall be accounted for in gross values.

(4) Lapsed payables, e.g. through forfeiture, shall be accounted for on the relevant account of other revenues. Payables lapsed due to payable satisfaction, set off, replacement of the existing payable with a new one in the value of the original payable, shall not be accounted for on this account.

(5) Closing balances of accounts in account class 6 shall be credited to account 710 – Profit and loss account at the time of accounts closing.

Article 75

Account Group 60 – Revenues from Own Outputs and Merchandise

Accounts of this account group shall be credited with revenues from the sale of merchandise, own outputs and services typical for operating activities of an accounting entity, with corresponding debit on accounts in account group 31 – Receivables or account 211 – Cash in hand.

Article 76

Account Group 61 – Changes in Internal Inventory

(1) Depending on the selected method of inventory accounting, increases and decreases of internally produced inventory and changes in inventory resulting from stock-take as a difference between the level of work in progress, internally produced semi-finished products, products and animals at the beginning and end of financial period, quarter or half-year shall be accounted for on accounts of this account group. Corresponding accounts are the relevant accounts of account class 1. If the inventory at the end of a relevant period is higher, than at the beginning, the difference shall be credited to the relevant accounts of account group 61, otherwise the difference shall be debited to the relevant accounts in this group.

(2) When using internally produced inventory for representation, it shall be debited on account 513 – Representation expenses and credited onto the relevant inventory accounts.

Article 77

Account Group 62 – Own work capitalized

(1) Account 621 – Capitalization of material and merchandise, shall be credited with the value of internally produced material and merchandise with a corresponding debit on inventory accounts, or account 501 – Consumed material or account 504 – Merchandise sold, depending on the selected method of inventory accounting.

(2) Account 622 – Capitalization of internal services, shall be credited with, e.g. internal transport with corresponding debit on accounts 111 – Acquisition of material, 131 – Merchandise acquisition, 041 – Acquisition of long-term intangible assets, 042 – Acquisition of long-term tangible assets, 501 – Consumed material, 504 Merchandise sold or account 513 - Representation expenses, if the internal services are used for representation.

(3) Accounts 623 – Capitalization of long-term intangible assets and 624 – Capitalization of long-term tangible assets shall be credited with the activation of long-term intangible and tangible assets produced internally, with a corresponding debit on accounts 041 – Acquisition of long-term intangible assets and 042 – Acquisition of long-term tangible assets.

Article 78

Account Group 64 – Other Operating Revenues

(1) Accounts 641 – Revenues from the sale of long-term intangible and tangible assets and 642 – Revenues from the sale of material shall be credited with revenues, with a corresponding debit on account 315 – Other receivables or account 311 – Customers.

(2) Accounts 644 – Contractual fines, penalties and interests on late payment and 645 – Other fines, penalties and interests on late payment shall be credited with, e.g. the amount of sanctions resulting from relevant contracts, regardless of their payment. This includes also the termination fee for contract termination.[39)] Late payment fees according to loan agreements shall not be accounted for here.

(3) Account 646 – Revenues from written-off receivables shall be credited with the collection of receivables that have been written-off to expenses in the past and from that day on have not been accounted for on the receivables accounts. Revenues from receivables assignment shall be also accounted for on this account.

(4) Account 648 – Other operating revenues shall be credited with revenues not stated with previous accounts that are related to operating activities. For example, entitlement to damage or deficit reimbursements towards responsible person and insurance institution as a result of insured events shall be accounted for here, with a corresponding entry on account 378 – Other receivables. Stock-take differences shall be also accounted for on this account according to Article 43.

Article 79

Account Group 65 – Accounting for Provisions and Adjusting Entries to Operating Activities

(1) Account 652 – Accounting for legal provisions shall be credited with the use and cancellation of legal provisions with a corresponding debit on account 451 – Legal provisions.

(2) Account 654 – Accounting for other provisions shall be credited with the use and cancellation of other provisions related to operating activities, with a corresponding debit on account 323 – Short-term provisions, or on accounts of account group 45 – Provisions, excluding account 451 – Legal provisions.

(3) Account 655 – Accounting for complex prepaid expenses shall be credited with the establishment of complex expenses, with a corresponding debit on account 382 – Complex prepaid expenses.

(4) Account 657 – Accounting for accumulated depreciation of adjusting entry to acquired assets shall be credited with amounts expressing gradual amortisation of accumulated depreciation of adjusting entry to acquired assets, with corresponding debit on account 098 – Accumulated depreciation of adjusting entry to acquired assets.

(5) Account 658 – Accounting for legal adjusting entries and account 659 – Accounting for other adjusting entries, shall be credited with the decrease and cancellation of provisions, with corresponding debit on accounts of account group 09 – Adjusting entries to long-term assets, except for accounts 096 – Adjusting entry to long-term financial assets, 097 – Adjusting entry to acquired assets and 098 – Accumulated depreciations of adjusting entry to acquired assets. On this account, it shall be accounted for in correspondence with account group 19 – Adjusting entries to inventory and account 391 – Adjusting entry to receivables.

Article 80

Account Group 66 – Financial Revenues

(1) Account 661 – Revenues from the sale of securities and shares shall be credited with the sale of securities of long-term and short-term character accounted for on accounts 061 – Shares and ownership interests in subsidiary, 062 – Shares and ownership interests with significant influence over enterprises, 063 – Realisable securities and shares, 069 – Other long-term financial assets, and on accounts of account group 25 – Short-term financial assets.

(2) Account 662 – Interests received, shall be credited with interests from banks and other debtors, and similar transactions.

(3) Account 663 – Exchange rate gains, shall be credited with exchange rate gains according to Article 13.

(4) Account 664 – Revenues from securities re-valuation, shall be credited according to Article 14.

(5) Account 665 – Revenues from long-term financial assets shall be credited with, e.g. dividends, profit shares, interests and leasing fees resulting from the ownership of these assets accounted for on accounts of account group 06 – Long-term financial assets.

(6) Account 666 – Revenues from short-term financial assets shall be credited with dividends, profit shares, and interests resulting from the ownership of such assets accounted for on accounts of account group 25 – Short-term financial assets.

(7) Account 667 – Revenues from derivative operations shall be credited according to Article 16.

(8) Account 668 – Other financial revenues shall be credited with financial revenues not accounted for on the previous accounts of this account group.

Article 81

Account Group 67 – Accounting for Provision and Adjusting Entries to Financial Revenues

(1) Account 674 – Accounting for provisions shall be credited with the use and cancellation of provisions related to financial activities, with corresponding debit on account 323 – Short-term provisions or on accounts of account group 45 – Provisions.

(2) Account 679 – Accounting for adjusting entries shall be credited with the decrease and cancellation of adjusting entries, with corresponding debit on accounts 096 – Adjusting entry to long-term financial assets and accounts of account group 29 – Adjusting entries to short-term financial assets.

Article 82

Account Group 68 – Extraordinary Revenues

(1) Accounting transactions of an extraordinary character with respect to the ordinary activities of an accounting entity, as well as extraordinary transactions of random character, shall be accounted for on accounts of this group.

(2) Account 684 – Accounting for provisions shall be credited with items with the character of extraordinary revenues, with a corresponding debit on account 323 – Short-term provisions, or on accounts of account group 45 – Provisions.

(3) Account 688 – Other extraordinary revenues shall be credited especially with change of past periods revenues, provided these are significant and with revenues due to the assignment or termination of operating activities of an accounting entity, with a corresponding debit on accounts in account group 69 – Transfer accounts. At the time of a company, or its part, sale, the seller shall account on this account according to Article 27.

(4) Account 689 – Accounting for adjusting entries shall be credited corresponding to a debit of accounts in groups 09 – Adjusting entries to long-term assets and 29 – Adjusting entries to short-term financial assets, 19 – Adjusting entries to inventory and account 391 – Adjusting entry to receivables, provided the items are related to extraordinary revenues.

Article 83

Account Group 69 – Transfer Accounts

(1) Account 697 – Transfer of operating income shall be debited with revenues related to the assignment or termination of accounting entity operating activities or a part thereof, with corresponding credit on account 688 – Other extraordinary revenues or accounts in account group 66 – Financial revenues, provided the revenues are of a financial character.

(2) Account 698 – Transfer of financial income shall be debited with the transfer in favour of operating revenues, e.g. account 648 – Other operating revenues or other accounts of account group 68 – Extraordinary revenues, to objectively show the economic, financial, and extraordinary economic result.

Accounts Class 7 – Closing Balance Sheet Accounts and Off-Balance Sheet Accounts

Article 84

Balance Sheet Accounts

Closing balance sheet accounts are:

a) 701 – Opening balance sheet account,
b) 702 – Closing balance sheet account,
c) 710 – Profit and loss account.

Article 85

Off – Balance Sheet Accounts

(1) Off-balance sheet accounts in account groups 75 to 79 shall record facts that are not accounted for in ledgers and the knowledge of which is significant for the assessment of the legal property situation of an accounting entity and its operating resources available for use.

(2) Off-balance sheet accounts shall record especially

a) Received deposits and mortgages,
b) Leased assets,
c) Assets received into custody,
d) Inventory received for processing,
e) Bills of exchange to be collected by their maturity date,
f) Strictly accountable forms,
g) Material in stocks of civil defence and other material of specific use,
h) Program 222,
i) Liabilities from leasing,
j) Receivables from leasing,
k) Receivables from options,
l) Liabilities from options,
m) Written-off receivables.

(3) A control account may be created in the accounting of an accounting entity to provide for accounting records on off-balance sheet accounts.

Temporary and Closing Provisions

Article 86

(1) To transfer accounting of accounting entities still accounting according to the existing regulations as of the day of this regulation entering force, the following accounting transactions will be made:

a) Balance of account 018 – Low value intangible fixed assets will be transferred onto the relevant account of accounts in group 01,
b) Balance of account 078 – Accumulated depreciation of low value intangible assets will be transferred to a relevant account of group 07,
c) Balance of account 028 – Low value tangible fixed assets will be transferred to account 022 – Individual movable assets and sets of movable assets,
d) Balance of account 088 – Accumulated depreciation of low value tangible fixed assets will be transferred to account 082 –Accumulated depreciation to individual movable assets and sets of movable assets,
e) Adjusting entry created to securities and shares that are according to Article 27 of Act valued at real value, will be cancelled, with a corresponding credit on the relevant account of securities and shares,
f) Adjusting entries created to derivatives that are valued at real value according to Article 27 of the Act, will be cancelled, with a corresponding credit on the derivatives account,
g) Adjusting entries created to security derivatives will be transferred to account 414 – Differences from revaluation of assets and liabilities.
h) Aliquot interest revenue with debt securities accounted for on account 385 – Accrued income will be recorded on the relevant securities account,
i) Part of the balances of accounts in group 01 – Long-term intangible assets, that does not satisfy the contents requirements according to Article 37 paragraph 9 as of the day of this regulation adoption is accounted according to the existing methods; as of 1 January, 2004, the balance of long-term intangible assets is accounted for on the relevant account of group 07 – Accumulated amortization to long-term intangible assets with corresponding debit on account 428 – Retained earnings from previous years or 429 – Accumulated losses from previous years,
j) Balance of account 373 – Acquired options will be transferred to account 376 –Options purchased,
k) Balance of account 374 – Sold options will be transferred to account 377 – Options sold,

l) Balances of accounts 381 – Deferred expenses and 382 – Complex deferred expenses according to Article 56 paragraph 6, that were accounted for as of the day of this regulation entering force, will be diluted in compliance with the existing regulations; as of 1 January, 2004, this part of the initial balances of accounts 381 Prepaid expenses and 382 – Complex prepaid expenses will be accounted for with a corresponding debit on account 428 – Retained earnings from previous years or 429 – Accumulated losses from previous years,
m) Balance of account 386 – Foreign currency exchange rate losses will be transferred to the relevant account of assets or liabilities that they were created for,
n) Balance of account 387 – Exchange rate gains will be transferred to the relevant account assets or liabilities they were created for,
o) Balance of account 388 – Estimated receivables will be transferred to the relevant accounts of receivables according to Article 48 paragraph 3,
p) Balance of account 389 – Estimated payables will be transferred to account 459 – Other provisions or 323 – Short-term provisions,
q) Balance of account 441 – Social fund will be transferred to account 472 – Liabilities related to social fund,
r) Provisions created according to specific regulations that are not listed in Article 19 paragraph 8, are accounted for according to existing regulations; as of 1 January, 2004, this part of account 451 – Legal provisions initial balance will be accounted for correspondingly as a credit on account 428 – Retained earnings from previous years,
s) Facts accounted for on group synthetic accounts will be transferred to the respective synthetic accounts they belong to materially.

(2) On account 097 – Adjusting entry to acquired assets, this adjustment will be fully depreciated according to Article 39 paragraph 4 and as of the day of this regulation entering force, no new transactions are accounted for on this account.

(3) Deferred tax liability and deferred tax receivables will be recalculated according to Article 10 as of the day of this regulation entering force. Part of the deferred tax liability or deferred tax receivable that would have been accounted for as expense or revenues of 31 December. 2002, will be accounted for on account 428 – Retained earnings from previous years or account 429 – Accumulated losses from previous years. Balance of account 371 – Deferred tax liability and receivable will be transferred to account 481 – Deferred tax liability and deferred tax receivable.

Article 86a

(1) Leased assets meeting conditions according to Article 30a, where the leasing agreement was signed prior to 31 December, 2003, shall be accounted for according to the existing regulations, provided accounting according to this regulation is not agreed.

(2) In the accounting of accounting entities performing accounting transactions according to Article 86 paragraph 1 letter e), the accounting entry will be corrected through the accounting for adjusting entry to securities and shares that are valued at real value according to Article 27 for the benefit of an account in class 6.

Article 86b

(1) Provision of Article 35 paragraph 2 letter h) as amended and valid as of 1 January, 2005 will be first applied for financial statements compiled as of 31 December, 2004.

(2) In an accounting entity accounted about assets leasing according to Article 40 as valid until this regulation comes into force, such assets will be deleted from the leaseholder accounting.

Article 86c

Through this regulation, legal acts of the European Community and European Union stated in Annex 2 are adopted.

Article 87

The following documents are repealed:
1. Measure of the Ministry of Finance of the Slovak Republic of 16/11/1198 No. 3177/1998- KM, defining accounts classification and accounting methods for entrepreneurs (Notice No.362/1998 Coll.)as amended by Measure No. 21891/1999 –92 (Notice No. 387/1999 Coll.) and Measure No. 22815/2000 –92 (Notice No. 486/2000 Coll.),
2. Measure of the Ministry of Finance of the Slovak Republic No. 22008/1999-92, defining accounting methods in the event of bankruptcy and settlement (Notice No. 386/1999 Coll.).

Article 88

This measure comes into force 1 January, 2003 (Regulation No. 23054/2002-92)
Measure No. 25167/2003-92 came into force 1 January, 2004.
Measure No. MF/10069/2004-74 came into force 1 January, 2005.

Ivan Mikloš
Deputy Prime Minister and Minister of Finance

Annex No. 1 of Measure No. 23054/2002-92, as amended

FRAMEWORK CHART OF ACCOUNTS FOR ENTREPRENEURS

Account Class 0 – Long-term assets

01 – Long-term intangible assets

011 – Incorporation expenses

012 – Capitalized development costs

013 - Software

014 – Valuable rights

015 - Goodwill

019 – Other long-term intangible assets

02 – Long-term tangible assets - depreciated

021 - Structures

022 – Individual movable assets and sets of movable assets

025 – Perennial crops

026 – Livestock

029 – Other long-term tangible assets

03 – Long-term tangible assets – non-depreciated

031 - Land

032 – Works of art and collections

04 – Acquisition of long-term assets

041 – Acquisition of long-term intangible assets

042 - Acquisition of long-term tangible assets

043 – Acquisition of long-term financial assets

05 – Advance payments made for long-term assets

051 – Advance payments made for long-term intangible assets

052 – Advance payments made for long-term tangible assets

053 – Advance payments made for long-term financial assets

06 – Long-term financial assets

061 – Shares and ownership interests in subsidiary

062 – Shares and ownership interests with significant influence over enterprises

063 – Realisable securities and shares

065 – Debt securities held up to their maturity

066 – Loans to accounting entity within the consolidated unit

067 – Other loans

069 – Other long-term financial assets

07 – Accumulated amortization to long-term intangible assets

071 – Accumulated amortization to incorporation expenses

072 – Accumulated amortization to capitalized development expenses

073 – Accumulated amortization to software

074 – Accumulated amortization to valuable rights

075- Accumulated amortization to goodwill

079 – Accumulated amortization to other long-term intangible assets

08 – Accumulated depreciation to long-term tangible assets

081 – Accumulated depreciation to structures

082 – Accumulated depreciation to individual movable assets and sets of movable assets

085- Accumulated depreciation to perennial crops

086 – Accumulated depreciation to livestock

089 – Accumulated depreciation to other long-term tangible assets

09 – Adjusting entries to long-term assets

091 – Adjusting entry to long-term intangible assets

092 – Adjusting entry to long-term tangible assets

093 – Adjusting entry to long-term intangible assets not yet in use

094 – Adjusting entry to long-term tangible assets not yet in use

095 – Adjusting entry to advance payments made for long-term assets

096 – Adjusting entry to long-term financial assets

097 – Adjusting entry to acquired assets

098 – Accumulated depreciation of adjusting entry to acquired assets

Account Class 1 - Inventory

11 - Material

111 –Acquisition of material

112 – Material in stock

119 – Material in transit

12 - Internally produced inventory

121 – Work in progress

122 – Semi-finished products

123 – Finished goods

124 - Animals

13- Merchandise

131 – Merchandise acquisition

132 – Merchandise in stock and retail stores

139 – Merchandise in transit

19 - Adjusting entries to inventory

191 – Adjusting entry to material

192 – Adjusting entry to work in progress

193 – Adjusting entry to semi- finished products

194 – Adjusting entry to finished goods

195 – Adjusting entry to animals

196 – Adjusting entry to merchandise

Account Class 2 – Financial Accounts

21 - Cash

211 – Cash in hand

213 – Stamps and vouchers

22 - Bank accounts

221 – Bank accounts

23 - Current bank loans

231 – Short-term bank loans

232 – Loans for discounted securities

24 - Other short-term financial assistance

241 – Issued short-term bonds

249 – Other short-term financial assistance

25 – Short-term financial assets

251 – Shares and similar securities for trading

252 – Own shares and own ownership interests

253 – Debt securities for trading

255 – Own bonds

256 – Debt securities with maturity of up to one year held until their maturity

257 – Other realisable securities

259 – Acquisition of short-term financial assets

26 - Transfer between financial accounts

261 – Cash in transit

29 - Adjusting entries to short-term financial assets

291 – Adjusting entry to short-term financial assets

Account Class 3 – Accounting for receivables and liabilities

31 - Receivables

311 - Customers

312 – Bills of exchange to be collected

313 – Receivables from discounted securities

314 – Provided advance payments

315 – Other receivables

32 - Liabilities

321 - Suppliers

322 – Bills of exchange to be paid

323 – Short-term provisions

324 – Advance payments received

325 – Other liabilities

326- Unbilled supplies

33 – Receivables and liabilities with employees and institutions of social insurance and health insurance

331 - Employees

333 – Other liabilities to employees

335 – Receivables from employees

336– Liabilities and receivables from social insurance and health insurance institutions

34 – Accounting for Taxes and Subsidies

341 – Income tax

342 – Other direct taxes

343 – Value added tax

345 – Other taxes and fees

346 – Subsidies from state budget

347 – Other subsidies

35 – Receivables from partners and associations

351 – Receivables within the consolidated unit

353 – Receivables related to unpaid share capital

354 – Receivables from partners and members to cover losses

355 – Other receivables from partners and members

358 – Receivables from participants in association

36 – Liabilities towards partners and association

361 –Liabilities within the consolidated unit

364 – Liabilities towards partners and members at profit distribution

365 – Other liabilities to partners and members

366 – Liabilities to partners and members from income earned

367 – Liabilities from subscribed unpaid securities and deposits

368 – Liabilities to participants in association

37 – Other receivables and liabilities

371 – Receivables from the sale of enterprise

372 – Liabilities from the purchase of enterprise

373 – Receivables and liabilities from fixed term transactions

374 – Receivables from leasing

375 – Receivables from issued bonds

376 – Options purchased

377 – Options sold

378 – Other receivables

379 – Other liabilities

38 – Accruals and deferrals of expenses and revenues

381 – Prepaid expenses

382 – Complex prepaid expenses

383 – Accrued expenses

384 – Deferred income

385 – Accrued income

39 – Adjusting entry to receivables and liabilities and internal transactions

391 – Adjusting entry to receivables

395 – Internal accounting

398 – Transfer account at association

Account Class 4 – Capital accounts and long-term liabilities

41 –Share capital and capital funds

411 – Share capital

412 – Share premium

413 – Other capital funds

414 – Differences from revaluation of assets and liabilities

415 – Investment revaluation reserves

416 – Differences from revaluation at merger, fusion and division

417- Legal reserve fund from capital contributions

418 – Indivisible fund from capital contributions

419 – Changes in share capital

42 – Funds created from the profit and transferred economic results

421 – Legal reserve fund

422 – Indivisible fund

423 – Statutory funds

427 – Other funds

428 – Retained earnings from previous years

429 – Accumulated losses from previous year

43 – Net profit or loss

431 – Profit or loss to be approved

45 – Provisions

451 – Legal provisions

459 – Other provisions

46 – Bank loans

461 – Bank loans

47 – Long-term liabilities

471 – Long-term liabilities within the consolidated unit

472 – Liabilities related to social fund

473 – Issued bonds

474 – Liabilities under leasing contracts

475 – Long-term advance payments received

476 – Unbilled long-term supplies

478 – Long-term bills of exchange to be paid

479 – Other long-term liabilities

48 – Deferred tax liability and deferred tax receivable

481 – Deferred tax liability and deferred tax receivable

49 – Natural Person – Entrepreneur

491 – Equity of natural person – entrepreneur

Account Class 5 – Expenses

50 – Consumed Purchases

501 – Consumed material

502 – Consumed energy

503 – Consumption of other non-inventory items

504 – Merchandise sold

51 – Services

511 – Repairs and maintenance

512 – Travel expenses

513 – Representation expenses

518 – Other services

52 – Personnel costs

521 – Wages and salaries

522 – Employment remuneration of partners and cooperative members

523 – Remuneration of board members of company and cooperative

524 – Legal social insurance

525 – Other social insurance

526 – Natural person – entrepreneur social expenses

527 – Legal social expenses

528 – Other social expenses

53 – Taxes and Fees

531 – Road tax

532 – Real estate tax

538 – Other taxes and fees

54 – Other operating expenses

541 – Carrying value of long-term intangible and tangible assets sold

542 – Material sold

543 – Donations

544 – Contractual fines, penalties, and interests on late payment

545 – Other fines, penalties, and interests on late payment

546 – Write-off of receivables

548 – Other operating expenses

549 – Deficits and damages

55 – Depreciation, provisions and adjusting entries to operating expenses

551 – Amortization of long-term intangible assets and depreciation of long-term tangible assets

552 – Additions to legal provisions

554 – Additions to other provisions

555 – Accounting for complex deferred expenses

557 – Accounting for accumulated depreciation of adjusting entry to acquired assets

558 – Additions to legal adjusting entries

559 – Additions to other adjusting entries

56 – Financial expenses

561 – Securities and shares sold

562 – Interests paid

563 – Exchange rate losses

564 – Costs of securities revaluation

566 – Costs of short-term financial assets

567 – Costs of derivative operations

568 – Other financial expenses

569 – Deficits and damages to financial assets

57 – Provisions and Adjusting entries to financial expenses

574 – Additions to provisions

579 – Additions to adjusting entries

58 – Extraordinary expenses

581 – Costs of method change

582 – Damages

584 – Additions to provisions

588 – Other extraordinary expenses

589 – Additions to adjusting entries

59 – Income tax and transfer accounts

591 – Income tax on ordinary activities - current

592 – Income tax on ordinary activities - deferred

593 – Income tax on extraordinary activities - current

594 – Income tax on extraordinary activities - deferred

595 – Supplementary income tax levies

596 – Transfer of profit or loss to partners

597 – Transfer of operating expenses

598 – Transfer of financial expenses

Account Class 6 – Revenues

60 – Revenues from own outputs and merchandise

601 – Revenue from own products

602 – Revenue from own services

604 – Revenue from merchandise

61 – Changes in internal inventory

611 – Change in inventory of work in progress

612 – Change in inventory of semi-finished products

613 – Change in inventory of finished products

614 – Change in animal inventory

62 – Own work capitalized

621 – Capitalization of material and merchandise

622 – Capitalization of internal services

623 – Capitalization of long-term intangible assets

624 – Capitalization of long-term tangible assets

64 – Other operating revenue

641 – Revenue from the sale of long-term intangible and tangible assets

642 – Revenue from the sale of material

644 – Contractual fines, penalties, and interests on late payment

645 – Other fines, penalties, and interests on late payment

646 – Revenues from written-off receivables

648 – Other operating revenues

65 – Accounting for Provisions and Adjusting entries to Operating Revenues

652 – Accounting for legal provisions

654 – Accounting for other provisions

655 – Accounting for complex prepaid expenses

657 – Accounting for accumulated depreciation of adjusting entry to acquired assets

658 – Accounting for legal adjusting entries

659 – Accounting for other adjusting entries

66 – Financial Revenue

661 – Revenues from the sale of securities and shares

662 – Interests received

663 – Exchange rate gains

664 – Revenue from securities revaluation

665 – Revenues from long-term financial assets

666 – Revenues from short-term financial assets

667 – Revenues from derivate operations

668 – Other financial revenues

67 – Accounting for Provisions and Adjusting entries to Financial Revenue

674 – Accounting for provisions

679 – Accounting for adjusting entries

68 – Extraordinary revenue

681 – Revenues from change of method

682 – Indemnification

684 – Accounting for provisions

688 – Other extraordinary revenues

689 – Accounting for adjusting entries

69 – Transfer Accounts

697 – Transfer of operating income

698 – Transfer of financial income

Account Class 7 – Closing Balance Sheet Accounts and Off-Balance Sheet Accounts

70 – Balance sheet accounts

701 – Opening balance sheet account

702 – Closing balance sheet account

71 – Profit and loss account

710 – Profit and loss account

75 to 79 – Off-Balance Sheet Accounts

Account Classes 8 and 9 – Internal Accounting

LIST OF ADOPTED LEGAL ACTS OF EUROPEAN COMMUNITIES AND THE EUROPEAN UNION

The following legal acts were adopted by this Measure:

1. Fourth Council Directive 78/660/EEC of 25 July 1978 based on article 54 (3) g) of the Treaty on the annual accounts of certain types of companies (Official Journal of the European Community L 222 of 14/ 8/1978) as amended by Council Directive 83/349/EHS of 13/06/1983 (Official Journal of the European Community L 193, 18/7/1983), as amended by Council Directive 84/569/EHS of 27/11/1984 (Official Journal of the European Community L 314, 4/12/1984), as amended by Council Directive 89/666/EHS of 2/12 1989 (Official Journal of the European Community L 395, 30/12/1989), as amended by Council Directive 90/604/EEC of 08/11/1990 (Official Journal of the European Community L 317 of 16/11/1990), Council Directive 90/605/EEC of 08/11/1990 (Official Journal of the European Community L 317 of 16/11/1990), Council Directive 90/605/EEC of 08/11/1990 (Official Journal of the European Community L 317 of 16/11/1990), Council Directive 94/8/ES of 21/03/1994 (Official Journal of the European Community L 82 of 25. 3. 1994), Council Directive 1999/60/ES of 17/06/1999 (Official Journal of the European Community L 162 of 26/06/1999), as amended by European Parliament and Council Directive 2001/65/ES of 27/09/2001 (Official Journal of the European Community L 283, 27/10/2001), as amended by European Parliament and Council Directive 2003/38/ES of 13/05/2003 (Official Journal of the European Union L 120 of 15/05/2003) and as amended by European Parliament and Council Directive 2003/51/ES of 18/06/2003).

2. Commission Directive No. 80/723/EHS on the transparency of financial relations between Member States and public undertakings (Official Journal of the European Community, L 195, 29/7/1980) as amended by Commission Directive No. 85/413/EHS, changing and amending Directive No. 80/723/EHS on transparency of financial relations between member states and public legal companies (Official Journal of the European Community, L 229, 28/8/1985) as amended by Commission Directive 93/84/EHS, changing and amending Directive No. 80/723/EHS on transparency of financial relations between member states and public companies (Official Journal of the European Community, L 254, 12/10/1993) as amended by Commission Directive No. 2000/52/ES, changing and amending Directive No. 80/723/EHS on transparency of financial relations between member states and public legal companies (Official Journal of the European Community, L 193, 29/07/2000).