

**Russian Legislation Update**  
Accounting, Financial Reporting and Audit

Q3 2017

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# Financial Accounting and Reporting

## Changes to the Russian Accounting and Reporting Regulations

### Regulatory framework

Order of the Russian Ministry of Finance dated April 28, 2017 No. 69n, *On Amendments to PBU 1/2008, Accounting policy.*

Federal Law dated July 18, 2017 No. 160-FZ, *On Amendments to the Federal Law On Accounting.*

Federal Law dated July 18, 2017 No. 164-FZ, *On Amendments to the Federal Laws On Consolidated Financial Statements and on Securities.*

Papers of the Russian Ministry of Finance dated July 20, 2017 No. IS-uchet-7, dated July 26, 2017 No. IS-uchet-8 and dated August 2, 2017 No. IS-uchet-9.

### Summary

I. Significant changes related to the selection and application of accounting policies (by the Order of the Russian Ministry of Finance Order no. 69n):

- In their standalone financial statements prepared under the Russian Federal Accounting Standards ("RFAS"), entities are allowed to override RFAS accounting policies and principles by the respective IFRS accounting policies (the "IFRS Override"). The IFRS Override is only available to entities disclosing their IFRS financial statements for the same period in line with the Federal Law, *On Consolidated Financial Statements.*

Currently the regulations do not contain application guidance. It is likely that going forward the Ministry may adopt rather narrow interpretation of the IFRS Override. Until the application guidance is developed preparers are advised to inquire the Ministry as to applicability of the IFRS Override in their particular circumstances.

Also, the regulations require any IFRS Override to be separately disclosed and explained.

- The current hierarchy of the Russian accounting standards was revised to establish that if an accounting method is not prescribed in RFAS for a particular class of transactions, the respective IFRS guidance should be applied instead.
- The regulations also extend guidance for application and disclosure of the "fair presentation override" (i. e. the rare instances when application of an accounting framework (RFAS in this case), is considered misleading for the users of the financial statements).

Other (less significant) changes were introduced as follows:

- Disclosure is required of a voluntary early adoption of new accounting standards in the current reporting year.
- No disclosure is required of the future impact of the newly-issued but not yet adopted accounting standards.
- No disclosure is required of the accounting policy changes to be adopted in the next reporting year.

Amendments to PBU 1/2008 became effective on August 6, 2017. It is not clear if they can be adopted retrospectively.



II. Federal Law No. 160-FZ introduced further changes to the hierarchy of the accounting standards:

- The existing 24 standards ("PBUs") were designated as the Federal Accounting Standards.
- The Russian Central Bank's accounting regulations applicable to financial organisations (banks, insurers, pension funds, etc.) were incorporated into the standards' hierarchy as the "sectoral accounting standards".
- The Law requires the "sectoral accounting standards" to be aligned with the RFAS. However, the Law is effective prospectively, meaning that the current inconsistency between the existing accounting standards developed by the Central Bank and the Ministry of Finance is now legally recognised and expected to remain.

III. Certain changes were introduced to the requirements on determination of the reporting periods (by the Federal Law No. 164-FZ).

- The reporting year for the purposes of the IFRS financial statements can now be different from a calendar year. This decision should be specifically documented in the entity's articles of association. Certain types of entities are not eligible, including banks, insurers and clearing houses, non-state pension and investment funds, certain state-owned entities and companies that are required to include their IFRS financial statements into the annual report.
- The first IFRS reporting year cannot be less than 90 days; hence the entities established in Q4 prepare their first annual IFRS financials for a period that is longer than a year but does not exceed 15 months. Certain types of entities, including banks, insurers and clearing houses, non-state pension and investment funds are not eligible for this exemption.

Finally, the requirement to include annual IFRS financial statements into the issuer's report for Q2 was dropped along with the similar requirement for half-year interim IFRS financial statements (Q3).

Changes introduced by the Federal Laws No. 160-FZ and 164-FZ are effective prospectively starting from June 19, 2017.

### **Comments**

The full text of the related Papers issued by the Russian Ministry of Finance is available on its website (№№ IS-uchet-[7](#), [-8](#) and [-9](#)).

## IFRS Documents Adopted in Russia

### Regulatory framework

Order of the Russian Ministry of Finance dated July 20, 2017 No. 117n, *On Adoption of IFRS Documents in Russia*.

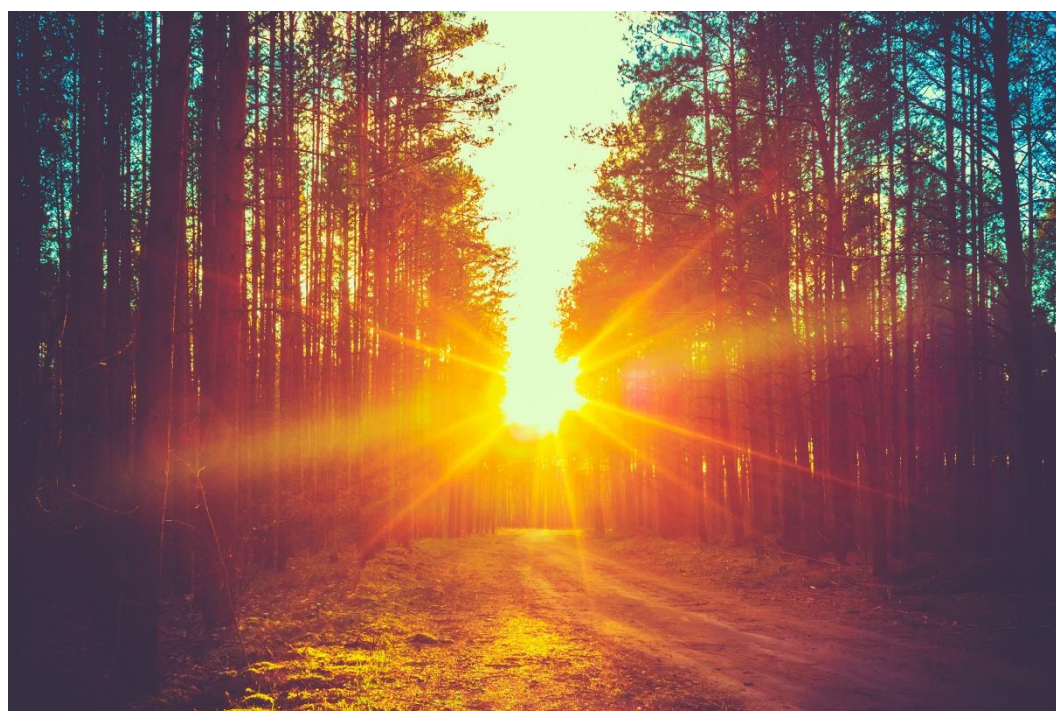
### Summary

The following IFRS documents were adopted in Russia:

- *Annual Improvements to IFRS Standards 2014–2016 Cycle*, that brought narrow changes to IFRS 1, IFRS 12 and IAS 28.
- *Transfers of Investment Property (Amendments to IAS 40)*, that clarified guidance on transfers of property to, or from, investment property.
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*, that clarified the accounting for transactions including the receipt or payment of advance consideration in a foreign currency.

### Comments

The full text of the document is available on the [website](#) of the Russian Ministry of Finance.





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