

Russian Legislation Update

Accounting, financial reporting and audit



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Financial Reporting

Recommendations on Audits of 2014 Financial Statements

Regulatory framework:

Recommendations to audit firms and auditors on audits of 2014 annual financial statements (appendix to the Ministry of Finance Letter dated 06.02.2015 No. 07-04-06/5027).

Summary:

The Russian Ministry of Finance issues annual recommendations for auditors.

The document comprises three sections. The first provides MinFin views on presentation of the effects of the current Russian macroeconomic environment in 2014 financial statements and related additional disclosures.

The second section analyses practical application of auditing standards, including audit sampling, identifying and evaluating subsequent events and modifications to audit opinions. Also, auditor's responsibilities regarding AML-related matters are specifically mentioned.

The third section specifies accounting for and disclosure of particular transactions:

- revenues and expenses are recognized net of discounts provided or received by the entity; e. g. discounts to customers for compliance with specific contractual provisions, or discounts from suppliers as long as the entity intends and is able to earn them;
- issued loans may be classified as cash equivalents if contractual repayment provisions (e. g. repayment on demand of the lender) do not result in a significant change in value of the investments (Clause 5 of PBU 23/2011, *Statement of Cash Flows*);
- material cash balances with credit institution whose banking license has been withdrawn are to be disclosed separately (e. g. *Cash on Suspended Bank Accounts*) within *Current Assets*;

- if stages are specified in a construction contract, revenues and expenses under such contract are to be recognized on a percentage-of-completion basis both for completed and incomplete stages in accordance with PBU 2/2008, *Accounting for Construction Contracts*;
- expenses are recognized in the reporting period when they are incurred, regardless of availability of resources to finance them;
- if different income tax rates apply to an entity, effect of different rates should be disclosed separately for both current and deferred income tax expense;
- entities preparing consolidated financial statements under the Federal Law No. 208-FZ, *On Consolidated Financial Statements*, shall apply IFRSs as adopted in the Russian Federation.

Comments:

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

Public Companies Disclosure Requirements Revised

Regulatory framework:

Regulation on Disclosures by the Issuers of Securities (approved by the Bank of Russia on 30.12.2014, No. 454-П).

Summary:

The document establishes content, procedure and timing of mandatory disclosures by issuers of securities traded in Russia.

In particular, disclosure requirements for the following corporate communications were updated:

- releases on issue (additional issue) of securities;
- prospectuses;
- quarterly reports;
- information on significant events;
- consolidated financial statements.

Furthermore, the document discusses required disclosures by joint stock companies, including annual reports and annual financial statements, reports on affiliates and other.

The regulation comes in force on March 17, 2015 and replaces the Order of the Federal Securities Commission dated October 4, 2011 No. 11-46/pz-n, *On Disclosures by Issuers of Securities*.

Comments:

No substantial changes were introduced in respect to disclosing annual consolidated financial statements – they are to be published in the Internet within three days from the auditor’s opinion date, but not later than 120 days after the end of the reporting year.

It is clarified that annual separate financial statements can be signed by the CEO only (chief accountant signature is not required). The financial statements shall be published in the Internet within three days upon their approval (or from the auditor’s opinion date, if the financials are subject to mandatory audit requirements), not within two days as it was previously.

Approach to determination of disclosure deadlines is specified in the document.



Financial Accounting

New IFRS Documents Adopted in Russia

Regulatory framework:

Order of the Ministry of Finance dated December 17, 2014 No. 151n, *On adoption of certain International Financial Reporting Standards documents in Russia.*

Order of the Ministry of Finance dated January 21, 2015 No. 9n, *On adoption and revocation of certain International Financial Reporting Standards documents in Russia.*

Summary:

The following IFRS documents approved by the International Accounting Standards Board in 2014 are adopted in the Russian Federation:

- IFRS 14, *Regulatory Deferral Accounts*;
- IFRS 15, *Revenue from Contracts with Customers*;
- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*;
- *Annual Improvements to IFRSs 2010–2012 Cycle*;
- *Annual Improvements to IFRSs 2011–2013 Cycle*.



Qualification Requirements for Accountants Issued

Regulatory framework:

Order of the Ministry of Labour dated December 22, 2014 No. 1061n, *On Approval of Professional Standard for Accountants*.

Summary:

The Ministry of Labour of the Russian Federation issued a standard describing the model role and qualifications of accountants.

The document defines principal professional responsibilities of an accountant and sets requirements for an accountant's education and experience.

The information is to be used by companies in developing their talent management policies, including preparation of job descriptions.

Business Trip Reports Abolished

Regulatory framework:

Decree of the Russian Government dated December 29, 2014 No. 1595.

Summary:

According to the new requirements, the actual period of an employee's business trip is determined using the travel documents (tickets). Business trip certificates, orders and reports are no more required.

Audit

Mandatory Audit Requirements Summarized

Regulatory framework:

Paper prepared by the Ministry of Finance of January 26, 2015, *Requirements for Mandatory Audits of Financial Statements in 2014 (in accordance with the legislation of the Russian Federation)*.

Summary:

In accordance with the Russian legislation, mandatory audit criteria include the legal status of the entity, type of its business and quantitative indicators.

The document provides exhaustive and up-to-date list of the mandatory audit requirements.

Comments:

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



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