

Russian Legislation Update

Accounting, financial reporting and audit



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Financial Reporting

New procedure on submission of annual consolidated financial statements to the Bank of Russia

Regulatory framework:

Directive of the Bank of Russia dated 01.09.2014 No. 3374-Y “*On submission of annual consolidated financial statements by entities indicated in Clauses 2-5 and 8 of Part 1 of Article 2 of Federal Law dated 27.07.2010 No. 208-FZ “On consolidated financial statements”*”.

Summary:

The Directive establishes procedures, timeline and form of submission of annual consolidated financial statements to the Bank of Russia for:

- issuers of securities quoted on organized stock exchanges (except for credit institutions);
- insurance and clearing organizations;
- non-government pension funds;
- management companies of investment funds, mutual investment funds and non-state pension funds.

In particular, financial statements must be presented with an auditor’s report not later than 120 days after the end of the reporting year, but prior to the general shareholders’ meeting.

Comments:

The full text of the document is on the Bank of Russia’s [website](#).

Financial Accounting

Amendments to accounting legislation

Regulatory framework:

Federal Law dated 04.11.2014 No. 344-FZ “*On amendments to certain legislative acts of the Russian Federation...*”.

Summary:

The Law introduces the following new requirements effective from November 16, 2014:

- the presentation currency of the consolidated financial statements prepared in accordance with the Federal Law No. 208-FZ “*On consolidated financial statements*” must be the Russian Ruble; this requirement does not affect determination of the functional currency;
- energy expenses for each calendar year (as per Article 22 of Federal Law No. 261-FZ “*On energy saving...*”) should be disclosed in the annual report, not in the financial statements;
- ‘simplified accounting’ is allowed, with few exceptions, to all not-for-profit organizations regardless of size; and prohibited for issuers of publicly traded securities.

The Law entitles Russian Ministry of Finance and the Bank of Russia to amend the accounting and financial reporting rules in the period prior to issuance of federal or industrial standards. The amendments should be limited to those necessary to accommodate legislation changes.

Furthermore, the procedure for review of draft industrial accounting standards was determined and some terminology corrections introduced.

Comments:

You may find a more detailed analysis of the changes in a [paper](#) prepared by the Russian Ministry of Finance.

IFRS Conceptual Framework for Financial Reporting published in Russian

Regulatory framework:

IFRS Conceptual Framework for Financial Reporting published in Russian on the [website](#) of the Russian Ministry of Finance.

Summary:

The Framework is not part of IFRSs and, therefore, does not cover particular recognition, measurement, presentation or disclosure matters, but rather sets out general concepts underlying preparation and presentation of financial statements.

The Framework is used by the IASB in developing future standards and reviewing existing standards; by preparers – in applying IFRSs and dealing with topics not covered by specific IFRSs; by auditors – in forming opinions on financial statements, and by users – in interpreting information contained in financial statements.

The Framework describes objective of financial reporting and qualitative characteristics of useful financial information, defines the elements of financial statements and explains concepts of capital and capital maintenance.

Comments:

The Framework is published on the Russian Ministry of Finance website, however is not endorsed by it for application in Russia, as it generally endorses the standards and interpretations of the IASB.

New IFRS documents adopted in Russia

Regulatory framework:

Order of the Russian Ministry of Finance dated 30.10.2014 No. 127н “*On adoption of certain International Financial Reporting Standards in Russia*”.

Summary:

The following IFRS documents as released by the IASB in May 2014 are adopted in Russia:

- *Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11)* – clarification of accounting for acquisition of an interest in a joint operation that constitutes a business;
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)* that states it is normally not appropriate to use revenue-based methods for depreciation of an asset.

Statutory net assets definition revised

Regulatory framework:

Order of the Russian Ministry of Finance dated 28.08.2014 No. 84н “*On approval of net assets calculation procedure*”.

Summary:

The document unifies the approach to statutory net assets calculation for joint stock companies, limited liability companies, state and municipal unitary enterprises.

The net assets are determined as the difference between the carrying values of assets and liabilities. Assets include all entity's assets except shareholders' receivables on contributions to share capital. Liabilities include all entity's liabilities except deferred income from government aid or from in-kind contributions.

Audit

Amendments to audit legislation

Regulatory framework:

Federal Law dated 01.12.2014 No 403-FZ “*On amendments to certain legislative acts of the Russian Federation*”.

Summary:

The Law introduces the following new requirements effective December 2, 2014:

- audits in Russia will be performed in accordance with International Standards on Auditing (hereinafter, “ISA”) as adopted by the International Federation of Accountants and endorsed by the Russian Ministry of Finance – it is expected that ISAs will replace federal standards on auditing effective January 1, 2018;
- auditor’s report on financial statements shall contain a section on procedures performed to comply with statutory requirements. In particular, in accordance with Article 42 of Federal Law No. 395-1 “*On banks and banking*” such procedures are to be performed around compliance with ratios and internal controls in credit organizations and banking groups as required by Bank of Russia; and in accordance with Article 29 of Federal Law No. 4015-1 “*On insurance in the Russian Federation*” – around financial stability, solvency and internal controls of insurers;
- auditors are to inform those charged with governance and / or management of the audited entity of any revealed instances of corruption, other legal offences, potential indicators or risks of such offences. If the audited entity does not take appropriate actions within 90 days, the auditor has to inform the relevant state authorities;
- financial statements of both public and non-public joint stock companies (as defined by the new edition of the Russian Civil Code effective September 1, 2014) are subject to mandatory audits (only applied to open joint stock companies under the previous version);

- entities with state ownership in excess of 25% and revenues below RUB 1 bln should ensure participation of small- and medium-sized audit firms in open statutory audit tenders.

Comments:

The Law also introduces other amendments regarding activities of auditors and auditors' self-regulated organizations, auditor's certificates, etc., which are explained in the Russian Ministry of Finance papers dated December [3](#) and [16](#), 2014.



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