



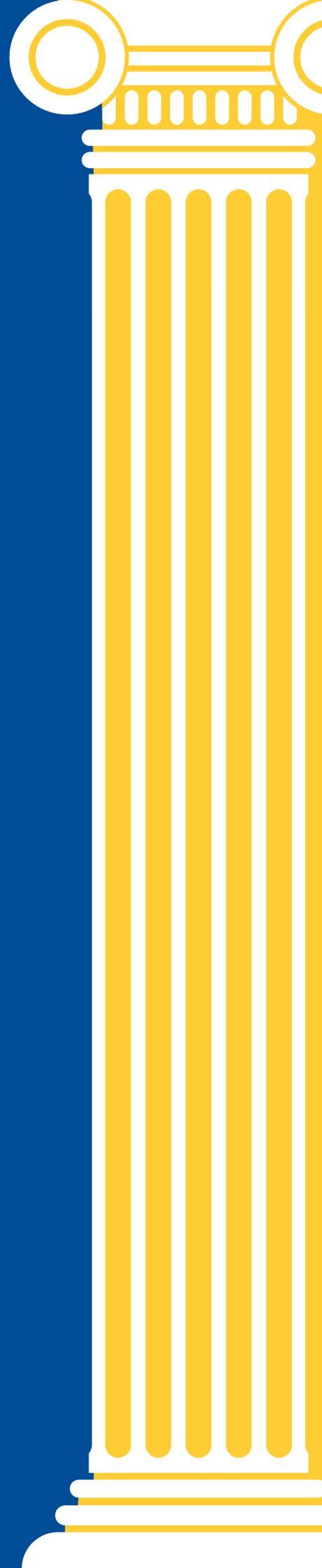
News

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Amendments to accounting legislation in 2018

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Amendments to accounting legislation in 2018

Several accounting regulations were amended during the course of 2018. Some of these changes entered into force on 1 October 2018, others on 1 January 2019, and some of them will enter into force on 1 February 2019.

The following accounting legislation entered into force on **1 October 2018**:

- Act No. 431/2002 Coll. on Accounting as amended (hereafter referred to as the "Act on Accounting") was amended by Act No. 213/2018 Coll. of 20 June 2018 on Insurance Tax;
- Decree of the Finance Ministry of the Slovak Republic No. 23054/2002-92 of 16 December 2002 laying down details of the accounting procedures and the framework for the chart of accounts for entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (hereafter referred to as the "Accounting Procedures for Entrepreneurs") was amended by Decree No. MF/015328/2018-74 of 19 September 2018.

The following accounting legislation entered into force on **1 January 2019**:

- the Accounting Procedures for Entrepreneurs was amended by Decree No. MF/017028/2018-74 of 21 November 2018 (some of these changes entered into force on 1 January 2019 and others will enter into force on 1 February 2019).

The following accounting legislation will enter into force on **1 February 2019**:

- as stated above, certain changes to the Accounting Procedures for Entrepreneurs.

A. Amendments effective from 1 October 2018

Virtual currency

Virtual currency (sometimes also referred to as cryptocurrency, for example, Bitcoin, Ethereum, Ripple, Bitcoin Cash, EOS, Stellar etc.) has not been regulated by accounting legislation up until now.

According to the amendment to the Act on Accounting, virtual currency shall be valued at its **fair value**; Article 4 (7) on the translation of foreign currency to euros also applies to virtual currency.

The following shall be valued at its fair value:

- virtual currency acquired for consideration,
- virtual currency acquired through mining as of the date of exchange for another asset or service,
- a service or asset acquired by means of exchange for a virtual currency, except for cash and stamps and vouchers valued at their nominal values,
- virtual currency acquired by means of exchange for another virtual currency.

The fair value of a virtual currency shall be its market price on the date of valuation established from the selected public virtual currency market in a manner determined by the accounting entity (Article 27 (13)).

The amendment to the Act on Accounting was reflected in the Accounting Procedures for Entrepreneurs. Virtual currency shall be recorded as a **current financial asset** in account group 25.

The Explanatory Report states the following:

Based on the regulation of valuation and translation of virtual currencies in the approved amendment to the Act on Accounting, it has been stipulated that virtual currencies should be recorded in a sub-account of account group 25, which an accounting entity should add to its chart of accounts. Following the valuation of virtual currency according to Article 25 (1) (h) of the Act on Accounting, virtual currency shall be valued at its fair value. Differences arise in certain cases owing to the translation of the valuation of virtual currency. For example, if a virtual currency is purchased in an individual transaction, a difference between its purchase price and fair value may arise according to Article 27 (13) of the Act on Accounting, and if an asset or service is sold for a virtual currency, a difference may arise between the amounts of a receivable at the time of the sale of an asset or service and at the time of collection of a receivable. Also, if an asset or service is acquired for a virtual currency, a difference may arise between the amounts of a liability at the time of acquisition of the asset or service and at the time of payment of the liability. Differences arising from the valuation of virtual currency and translation of virtual currency shall be debited to account 568 - *Other financial expenses* or credited to account 668 - *Other financial income*, depending on their nature.

B. Amendments effective from 1 January 2019

Commodities

It has been specified that commodities shall be recognized as **current financial assets** (Article 17 (10)). A change in the fair value of a commodity as of the balance sheet date shall be recognized as an expense and income in account 564 – *Loss on revaluation of securities* and account 664 – *Gain on revaluation of securities*, respectively (Article 70 (4), Article 80 (4)).

Goodwill and negative goodwill

Their calculation has been made more specific (Article 37 (11) and (12)).

Service vouchers

This refers to service vouchers pursuant to Article 23 of Act No. 112/2018 Coll. on Social Economy and Social Enterprises. They are considered stamps and vouchers and shall be recorded in account 213 – *Stamps and vouchers* (Article 47 (2)).

C. Amendments effective from 1 February 2019

These amendments concern the recognition of a **Guaranteed Energy Service** (Article 30e). The term "Guaranteed Energy Service" (GES) is derived from the English term "*Energy Performance Contracting*" (EPC). It is a form of contractual relationship between a GES provider (the established English term is "*Energy Service Company*," ESCO) and a receiver of this service - a public administration body in the Slovak Republic. See Act No. 321/2014 Coll. on Energy Efficiency.

The GES provider will perform an energy improvement of the assets of the GES receiver (technical improvement) and subsequently guarantee energy savings for the GES receiver during a contractually agreed period, with the amount of energy savings being agreed upon in a contract. The GES provider shall make accounting entries in two stages:

- energy improvement of the assets of the GES receiver - here, the construction contract principle according to Article 30 shall be applied, and after the completion of the energy improvement, a receivable shall be transferred from account 316 – *Net value of contract* to account 311 – *Customers receivables*, with part of it being non-current,
- operating services, which shall be recognized as income.



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