

C omments on the amendments in the Accountancy Act related to the accounting standards applicable in the Republic of Bulgaria

In State Gazette, issue No. 96 of 29 October 2004 there were promulgated amendments in the Accountancy Act. The amendments of the law shall enter into force as of 1 January 2005, except for § 10 and § 14, which shall enter into force as of the day of the promulgation of the law in State Gazette 29 October 2004.

A part of the changes are aimed to achieving a maximum harmonization of the accountancy legislation of the Republic of Bulgaria with the requirements of the European Union. Most essential are the changes related to the accounting standards applicable by the enterprises in the Republic of Bulgaria, which could be summarized as follows:

1. Implementation on the territory of the Republic of Bulgaria of the International Financial Reporting Standards, adopted by the European Commission

As from 1 January 2005 on the territory of the Republic of Bulgaria are effective the International Financial Reporting Standards (IFRS), adopted by the European Commission, which include: the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS), as well as the interpretations for their application (SIC - IFRIC interpretations).

The scope of the enterprises, which are obliged to apply the IFRS is narrowed to three groups:

- a) Enterprises, performing their activities by virtue of special laws (banks, insurance, investment and pension security enterprises, etc), for which the requirement for performance of independent financial audit of their financial statements is regulated in a normative act, as well as the enterprises emitents under the Law on Public Offering of Securities;
- b) Enterprises, which do not meet the requirements for small and medium size enterprises under the Law on the Small and the Medium Size Enterprises;
- c) Enterprises, which have prepared and submitted their financial statements for 2004 on the basis of the International Financial Reporting Standards.

2. Adopting of new National Financial Reporting Standards for small and medium size enterprises

In State Gazette issue No. 30 as of 7 April 2005 there were promulgated the National Financial Reporting Standards (NFRS) for the small and medium size enterprises, as adopted by the

Council of Ministers, and they enter into force as of 1 January 2005. The adoption of the NFRS for small and medium size enterprises is an entirely new moment and aims to support those enterprises to make a smoother transition to the application of the IFRS.

3. Adopting of new National Accounting Standards for reporting entities, for which there are no International Financial Reporting Standards adopted

According to the adopted amendments of the AA these National Accounting Standards shall be adopted by the Council of Ministers for the reporting objects, for which there are no International Financial Reporting Standards adopted and shall be applied together with the International Standards by supplementing them.

The information set out above represents a general overview of the amendments and supplements of the Accountancy Act and is not exhaustive. For access to our detailed comments and should issues arise regarding the application of the new provisions, please do not hesitate to contact us at tel. 943 37 00, fax. 943 37 07, e-mail office@afa.bg, or postal address at 38 Oborishte Str., Sofia 1504.