

THE REPUBLIC OF ARMENIA

LAW

ON ACCOUNTING

Adopted 26.12.2002

CHAPTER 1

GENERAL PROVISIONS**Article 1. Purpose of the Law**

This Law defines a uniform basis for the organization and execution of accounting, preparation and presentation of general purpose financial statements (hereinafter, financial statements) in the Republic of Armenia and regulates other relations pertaining to accounting.

Article 2. Scope of the Law

This Law applies to legal entities (including institutions founded by them), registered in the Republic of Armenia in a stipulated manner, branches and representative offices of foreign organizations (hereinafter referred to as organizations).

Peculiarities of allocation of such rights and duties between banks, insurance companies, regulated market operator, as well as management of the Central Depository and senior accountant, or person performing such duties are correspondingly defined by the laws of the Republic of Armenia “On Banks and Banking”, “On Insurance and Insurance Activities and “On Securities Market”, correspondingly.

The government shall establish a special accounting procedure for the taxpayers with annual turnover up to 100 million dram in the previous calendar year.

Entities defined in paragraph 3 hereof, may use special tax accounting procedure instead of the international accounting standards and guidelines,

(Article 2 amended AL-231-N, 15.11.05; AL-188-N, 09.04.07, edited AL-207-N, 11.10.07, amended AL-152-N, 21.08.08, edited: AL-226-N, 26.12.08).

Article 3. Legal Acts on Accounting and International Financial Reporting Standards

Statutory regulations on accounting include this Law, other laws of the Republic of Armenia pertaining to accounting, other legal acts on accounting adopted by a state regulatory body established pursuant to this Law.

Pursuant to procedure established by this law, Armenia adopted international accounting standards, as well as principles of developing and introducing financial reports

published by the International Accounting Standards Board, guidelines for application of the standards and other documents of mandatory use (hereinafter, guidelines of international standards).

International Financial Reporting Standards include International Accounting Standards adopted by International Accounting Standards Board, interpretations thereto, as well as future standards and comments adopted by International Accounting Standards Board and interpretations thereto.

(Article 3 amended AL-226-N, 26.12.08.)

Article 4. Regulation of Accounting

1. Except as otherwise provided in this law, regulation of accounting in the Republic of Armenia shall be executed by state institution authorized by the government of the Republic of Armenia, while regulation of accounting of banks, credit organizations, payment and settlement organizations, persons carrying out insurance and pawnshop activities, investment companies, investment funds, investment fund managers shall be executed by the Central Bank of the Republic of Armenia in coordination with state institution authorized by the government of the Republic of Armenia (hereinafter, regulating institution).

2. The regulating institution is entitled to provide:

a) (Repealed AL-226-N, 26.12.08),

b) charts of accounts and instructions on their use,

c) methodological guidelines and instructions relating to prime costs.

2.1. Pursuant to International Financial Reporting Standards and their guidelines, regulating institution may develop templates of financial reporting and instructions for filling them out. For entities defined in Article 2 of this law, the regulating institution shall develop specific templates of financial reporting and instructions for filling them out.

3. Except as provided otherwise in this law, other legal acts on accounting approved by the regulating institution shall comply with International Financial Reporting Standards and their guidelines.

(Article 4 amended: AL-247-N, 08.12.05., AL-226-N, 26.12.08, AL-279-N, 22.12.2010).

CHAPTER 2

ACCOUNTING AND FINANCIAL REPORTS

Article 5. Accounting

1. Accounting is a system for collection, registration and consolidation of monetary information on stock and flow of assets, ownership capital and liabilities of an organization carried out by means of a comprehensive and on-going documentary accounting of all business operations.

2. All organizations must carry out accounting.

3. Accounting of an organization shall comply with provisions of the Republic of Armenia law “On Combating Money Laundering and Terrorism Financing”.

(Article 5 amended AL-85-N, 26.05.08)

Article 6. Financial Reports

1. Financial reports are classified financial statements of events affecting the organization and business operation carried out by it.

2. Financial reports shall be signed by the chief executive officer and senior accountant of the organization. They shall be sealed by corporate seal of the organization (if available).

(Article 6 amended AL-226-N, 26.12.08)

Article 6.1. Organizations Submitting Financial Reports in Accordance with International Financial Reporting Standards and their Guidelines

1. Banks, credit organizations, payment and settlement organizations, investment fund managers, securities market reporting issuers, investment companies, regulated market operator, the Central Depository, insurance companies, reinsurance companies and insurance brokers shall prepare and submit financial reports to founders and participants of the organization in accordance with the founding documents or the legislation, and to the state authorities in accordance with international financial reporting standards and their guidelines.

Entities not indicated in the first paragraph of this part may prepare and submit financial reports in accordance with international financial reporting standards and their guidelines, making the necessary references in the financial reports.

2. Except the entities carrying out special tax accounting pursuant to second paragraph of Article 2 of this law, organizations, which are not indicated in part 1 of this article, shall prepare and submit financial reports to the founders and shareholders in accordance with the founding documents or the legislation, and to the state authorities in accordance with international financial reporting standards, their guidelines and amendments, in accordance with the procedure established by the government, after 6 months from their publication, starting from January 1 of the succeeding year.

(Article 6.1 edited AL-226-N, 26.12.08, AL-279-N, 22.12.2010)

Article 7. Purpose of Financial Reports

(Article 7 repealed AL-226-N 26.12.08)

Article 8. Recognition of the Elements of Financial Reports

(Article 8 repealed AL-226-N 26.12.08)

Article 9. Measurement of the Elements of Financial Reports

(Article 9 repealed AL-226-N 26.12.08)

Article 10. Principles of Accounting and Financial Reporting

(Article 10 repealed AL-226-N 26.12.08)

CHAPTER 3

ORGANIZATION AND EXECUTION OF ACCOUNTING

Article 11. Rights and Obligations of the Chief Executive Officer for Organization of Accounting

1. The head of the executive body of an organization or (hereinafter referred to as organization's chief executive) shall be responsible for accounting pursuant to requirements of the legislation on accounting.

2. Depending on the accounting workload, the organization's chief executive officer may carry out accounting by means of:

- accounting service deemed as structural unit,
- through organization's accountant,
- through an accounting firm or a private entrepreneur, and for political parties, non-government and religious organizations – also through an individual who is not a private entrepreneur - personally.

3. Chief executive officer shall:

- a) define the accounting policies of the organization, i.e. ensure integrity of principles, grounds, modes, rules, forms and procedures of accounting and financial reporting,
- b) ensure execution of accounting and preparation and presentation of financial statements.

(Article 11 amended AL-190-N, 14.12.04)

Article 12. Rights and Obligations of the Chief Accountant

1. General accounting and preparation of the financial report of the organization is executed by the manager of the accounting department and, if accounting is performed by an accounting company, by the authorized person of an accounting company, or other person as defined in Article 11, part 2 of this law (hereinafter, chief accountant), in accordance with the applicable legislation of the Republic of Armenia.

2. Chief accountant is responsible for the execution of accounting, timely completion and presentation of financial reports.

Except cases when the chief executive performs also duties of the chief accountant, the organization is obliged to have chief accountant. Chief accountant or chief executive officer combining duties of the chief accountant shall work on contractual basis (unless the accounting is performed by another organization or private entrepreneur, and if accounting

for political parties, public and religious organizations is executed by a non-entrepreneur individual).

3. Fulfillment of the requirements for the chief accountant with regard to submission of information and documents necessary for accounting is peremptory for all employees of the organization.

4. In case of disagreement between chief executive officer and chief accountant on operational issues, the chief accountant shall execute works based on a written instruction (order) of the organization's chief executive, while the chief executive officer shall be responsible for consequences of execution of such works.

5. Published financial reports of commercial organizations shall be signed by certified chief accountant, or by a person with auditor certification received in accordance with law. To this end, certification of a chief accountant shall be provided by the regulating institution or a specialized institution, selected on the basis of criteria set by it.

If certification is provided by the regulating institution, the procedure for certification test shall be established by the government of the Republic of Armenia. The regulating institution shall approve members of the examination board and the program of certification examination.

If certification is provided by a specialized institution, the latter shall approve members the examination board and the program of certification examination, in coordination with the regulating institution.

Certification procedure and tests shall be published.

(Article 12 amended AL-87-N, 26.05.04, supplemented AL-190-N, 14.12.04)

Article 13. Basic Rules of Accounting

1. Accounting shall be executed:

- a) in the currency of the Republic of Armenia - dram,
- b) by means of double entry mode, pursuant to the chart of accounts,
- c) constantly, starting from the state registration of the organization till its reorganization or liquidation pursuant to legislation.

2. Data of the analytical (detailed) accounting and synthetic (generalized) accounts shall correspond to each other.

3. Results of all business operations shall be duly registered in the accounts so that they are properly reflected in the financial statements of the respective periods.

Article 14. Primary accounting documents

1. Accounting entries shall be made pursuant to primary accounting documents, which register performance of a business operation.

2. Primary accounting documents shall have the following mandatory requisites:

- a) name of the document,
- b) serial number,
- c) the date (y/m/d/) of compilation,
- d) name (surname) of the operation participant(s),
- e) essence of the economic operation,

- f) measurement units of the economic operation in monetary and in-kind terms,
- g) positions and signatures of responsible persons.

Depending on the nature of operation and the system of data processing, primary accounting documents may also provide additional requisites. The additional requisites may be established by the regulating institution and (or) the organization.

3. Primary accounting documents shall be compiled at the time of execution of the operation or, if it is not possible, immediately upon completion of the operation.

The persons who compile and sign primary accounting documents shall be responsible for their timely and accurate completion, their reflection in accounting statements and submission.

4. Correction of an error in primary accounting documents shall be coordinated with parties of the business operation and endorsed by signatures of persons authorized to sign it, with indication of the year, month and day of correction. Corrections in cash invoices and banking documents are prohibited.

5. The regulating institution may define templates of primary accounting documents. The organization may use these templates of primary accounting documents or independently elaborate them in accordance with provisions of clause 2, hereof.

The mandatory forms of primary accounting documents may be defined by legal acts on accounting.

Article 15. Accounting Register Books

1. Information in the primary accounting documents shall be collected and grouped in the accounting books (hereinafter, register book).

2. Business operations shall be reflected in the register book in chronological order.

3. Persons who keep the register book shall be responsible for their timely and accurate compilation.

4. Unnoticed corrections in the register book are prohibited. The correction of an error shall be endorsed by the person authorized to sign the book, with an entry of the date of the correction.

5. The regulating institution may define templates of register books. The organization shall choose a template among them or define the forms of register book solely pursuant to this Law and general methodological principles of accounting.

The mandatory templates of register book may be established by normative acts on accounting.

Article 16. The right of signature in accounting documents

The scope of persons authorized to sign accounting documents is determined by the chief executive officer. Furthermore, a subordination of the right of signature may be defined depending on the job position of the individual, type and essence of his and amount of monetary funds.

Article 17. Inventory of assets and liabilities

1. In order to ensure reliability of data included in accounting documents and statements, organization shall carry out inventory of assets and liabilities.

2. Inventory shall be mandatory:

- a) prior to compilation of annual financial reports,
- b) in case of the reorganization or liquidation of the organization,
- c) in case of emergency due to natural disasters, fires or other reasons,
- d) in case of theft, deterioration and loss of property,
- e) in case of change of the person in charge.

In case of mandatory inventory, the scope of objects of inventory, the procedure and the time-frame shall be defined by the government of the Republic of Armenia.

3. Unless otherwise stipulated in the clause 2 hereof, the scope of the inventory, the procedure and the time-frame shall be defined by the organization's chief executive.

Article 18. Confidentiality of Accounting Information

1. The information in the primary accounting documents, register books, as well as in the reports for internal use shall be a commercial secret and may be accessed upon the permission of the organization's chief executive according to the terms and conditions set forth in the founding documents of the organization and the legislation.

2. The persons and organizations that have received information comprising commercial secrecy shall preserve the secrecy thereof. In case of the publication of such information they shall bear responsibility pursuant to the legislation.

Article 19. Archive of Accounting Documents

1. The accounting documents, as well as information in electronic durable medium, i.e. the primary accounting documents, the register books, financial statements, documents on accounting policies, accounting software shall be archived in the manner and in the time-frame provided for by the legislation of the Republic of Armenia, but not less than for five years.

2. Confiscation of accounting documents shall be carried out pursuant to the procedure defined by the law. The organization may make the photocopies of the confiscated documents and archive them.

3. The organization's chief executive shall be responsible for archiving the accounting documents.

CHAPTER 4

COMPILATION AND PRESENTATION OF FINANCIAL REPORTS

Article 20. The Content of Financial Reports

(Article 20 repealed AL-226-N 26.12.08)

Article 21. Requirements for Financial Reports

(Article 21 repealed AL-226-N 26.12.08)

Article 22. Reporting Period

1. The reporting period is the reporting year or the interim reporting period.
2. The reporting year is the period between January 1 and December 31 inclusive, of the given year. For newly established organizations the first reporting year is the period between the day of their registration and December 31 inclusive, of the same year. Annual financial reports for the reporting year are mandatory.
3. The interim reporting period is shorter than a year. The financial reports for an interim reporting period shall be completed in cases stipulated by the legislation or at organization's discretion.

Article 23. Presentation of Financial Reports

1. Organizations shall present annual financial reports:
 - a) to their founders and shareholders, pursuant to the founding documents or the legislation,
 - b) to the state bodies pursuant to the legislation.
2. Organizations shall present the annual financial reports prior to April 15 of the year succeeding the reporting year. Interim financial reports shall be reported within 60 days upon the end of the reporting period, unless otherwise established.

The date of presentation of financial reports to the CBA by banks and branches of foreign banks, such as by the branches of the investment fund managers and foreign investment fund managers, established in the territory of the RA, shall be determined by the Central bank of Armenia.
3. The day of presentation of financial reports is the day when they are delivered or mailed to their destination.

(Article 23 amended, AL-279-N, 22.12.2010)

Article 24. Disclosure of Financial Reports

1. Organizations, whose financial statements are subject to publication according to law, must publish the annual statements prior to the 1st of July of the year succeeding the reporting year, and the interim statements – within 60 days upon the end of the reporting period, unless otherwise established by law.

Banks and branches of foreign banks shall publish their financial statements in accordance with the procedure and the time-frame determined by the law of the Republic of Armenia “On Banks and Banking”.

- 1.1 A large organization shall be obliged to disclose the annual financial report.

For the purposes of this law, a large company is an organization, which complies with at least one of the following two criteria:

a) proceeds of the reporting year (for which financial statement shall be issued) exceed one billion Armenian drams;

b) balance sheet value of assets as of the end of the reporting year (for which financial statement shall be issued) exceeds one billion Armenian drams.

2. Financial reports may be published in press, by Internet, or disseminated in form of booklets. The annual financial reports may be published only after passing the audit, together with the auditor opinion.

(Article 24 amended AL-226-N, 26.12.12.08, AL-229-S, 10.12.09)

CHAPTER 5

FINAL PROVISIONS

Article 25. Responsibility for Violating Provisions of Accounting Legislation

In case of violation of legal acts on accounting, the chief executive officer and other persons responsible for organization and execution of accounting of the organization shall be held responsible in manner prescribed by law.

Article 26. Entry into Force

1. This law shall enter into force on the tenth day after promulgation.

2. Provision of the second paragraph of clause 1, Article 21 relates to the period after December 31, 2002.

3. After entry into force of law, the law of the Republic of Armenia “On Accounting” (June 16, 1998) shall be repealed.

4. Legal acts adopted pursuant to the law of the Republic of Armenia “On Accounting” (June 16, 1998) shall remain in force.

5. Provisions of Article 24, part 1, clause 1.1 of this Law relate to indicators for 2010 and the succeeding reporting periods.

6. The companies whose 2009 operational profit is over one billion Armenian drams must publish the 2009 annual statements by July 1, 2010.

(Amended according to AL-229-S, 10.12.09)

President of the Republic of Armenia

ROBERT KOCHARYAN

June 31, 2003, Yerevan

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