

OFFICIAL TRANSLATION

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LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 21 June 2014

ON ACCOUNTING OF PUBLIC SECTOR ORGANISATIONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Purpose of the Law

This Law shall define uniform bases for organising and maintaining the accounting, for preparing and submitting general purpose financial statements (hereinafter referred to

as "the financial statements") of public sector organisations of the Republic of Armenia and shall regulate other relations pertaining to accounting of public sector organisations.

Article 2. Scope of the Law

1. This Law shall extend to public sector organisations of the Republic of Armenia, including the institutions established thereby (hereinafter referred to as "the organisations").

2. Within the meaning of this Law, public administrative institutions, staffs of heads of communities, and state and community non-commercial organisations — registered as prescribed by the law of the Republic of Armenia — shall be considered as public sector organisations.

Article 3. Legal acts regulating accounting

Legal acts regulating accounting of the organisations shall include:

- (1) this Law;
- (2) decisions of the Government of the Republic of Armenia deriving from this Law;
- (3) Public Sector Accounting Standard of the Republic of Armenia (hereinafter referred to as "the ASRA");
- (4) the chart of accounts for financial and economic activities of the organisations and the instructions for the application thereof;
- (5) the standard model of the accounting policy of the organisations;
- (6) the standard set of financial statements of the organisations;
- (7) other legal acts provided for by this Law.

Article 4. Regulation of accounting

1. Accounting shall be regulated and co-ordinated by a public administration body authorised by the Government of the Republic of Armenia (hereinafter referred to as "the authorised body").

2. The authorised body, within the scope of its powers, shall approve:

(1) the Public Sector Accounting Standard of the Republic of Armenia, the chart of accounts for financial and economic activities of the organisations and the instructions for the application thereof, the standard model of the accounting policy and the standard set of financial statements of the organisations;

(2) other legal acts provided for by this Law.

3. The authorised body, as prescribed by the legislation of the Republic of Armenia, shall ensure:

(1) the existence of a system for education and continuous professional training of accountants;

(2) the existence of a system for organising qualification examinations attesting to the corresponding level of professional knowledge and working skills of accountants;

(3) the registration of accountants qualified as public sector accountants, as well as of persons (individual entrepreneurs or organisations) providing accounting services to public sector organisations and the publication of the list thereof, as prescribed by the Government of the Republic of Armenia, as well as the establishment of criteria for persons providing accounting services to public sector organisations;

(4) the co-operation among international organisations, foreign organisations and state and local self-government bodies of the Republic of Armenia in the field of accounting.

4. According to this Law, the chart of accounts for financial and economic activities of the organisations and the instructions for the application thereof, the standard model of the accounting policy and the standard set of financial statements of the organisations, and

other legal acts on accounting approved by the authorised body must comply with the Public Sector Accounting Standard of the Republic of Armenia.

CHAPTER 2

ACCOUNTING AND FINANCIAL STATEMENTS

Article 5. Accounting

1. Accounting is a system of collecting, registering and summarising information in monetary terms on the condition and flow of assets, liabilities, net assets (equity), as well as on the revenues and expenditures of the organisation, through a comprehensive and constant documented record keeping of operations, other cases and events.
2. The organisations shall be obliged to maintain accounting.

Article 6. Maintaining the accounting using software

1. The organisations shall be obliged to maintain accounting using software that enables maintaining the accounting in compliance with the requirements of the legislation regulating the field of accounting.
2. The procedure for determining the compliance of the software referred to in part 1 of this Article with the requirements of the legislation regulating the field of accounting, and the requirements for computerised accounting systems shall be prescribed by the Government of the Republic of Armenia.

Article 7. Financial statements

Financial statements are the systemised representation of the financial condition and financial outcomes of the organisations.

CHAPTER 3

ORGANISING AND MAINTAINING THE ACCOUNTING

Article 8. Rights and obligations of the head of the organisation in organising the accounting

1. The head of head shall bear responsibility for organising accounting in compliance with the requirements of legal acts regulating accounting.

2. Depending on the accounting workload, the head of the organisation shall have the right to maintain accounting through:

(1) accounting service considered as a structural subdivision (hereinafter referred to as "the accounting service");

(2) an accountant considered as an employee of the organisation;

(3) an organisation or individual entrepreneur providing accounting services included in the list provided for by point 3 of part 3 of Article 4 of this Law.

3. The head of the organisation shall be obliged to:

(1) define the accounting policy of the organisation based on the standard model of the accounting policy approved by the authorised body and agree it with the relevant state body (if any) and the authorised body in the manner and terms defined by the authorised body;

(2) ensure the maintaining of accounting, the preparing and submitting of the financial statements.

4. The accounting policy constitutes certain principles, bases, methods, rules, forms and protocols, which are applied by the organisation for the purposes of preparing and submitting the financial statements.

Article 9. Rights and obligations of the chief accountant

1. The general maintaining of accounting and preparation of the financial statements in the organisation shall be carried out by the head of the accounting service or the accountant considered as an employee of the organisation, and in case of maintaining the accounting through an organisation providing accounting services — by the authorised person of that organisation (hereinafter referred to as "the chief accountant"), in compliance with the requirements of legal acts regulating accounting.
2. The chief accountant shall be responsible for maintaining the accounting, preparing and submitting the financial statements in a timely manner.
3. Compliance with the requests of the chief accountant with regard to presenting data and documents necessary for accounting shall be mandatory for all the employees of the organisation.
4. In case of disagreements between the head and the chief accountant of the organisation regarding the performance of certain financial and economic operations, the chief accountant shall, first of all, inform in writing the head of the organisation about the disagreement, and then shall accept the documents for execution upon a written executive order (assignment) of the head of the organisation, and the responsibility for the consequences of performing such operations shall lie with the head of the organisation, unless otherwise provided for by law.
5. A person qualified as a public sector accountant, in accordance with the legislation of the Republic of Armenia, may work as a chief accountant in the organisations defined by the Government of the Republic of Armenia.
6. The qualification of a public sector accountant (hereinafter referred to as "the accountant qualification") is a procedure for assessing professional knowledge of a natural person having applied to the authorised body for obtaining the accountant qualification, meeting the requirements prescribed by the authorised body, based on the results of which an accountant qualification certificate (hereinafter referred to as "the certificate") is issued.

The accountant qualification shall be carried out through examinations as prescribed by the authorised body. Examinations shall be organised and held by the authorised body, within the framework of the qualification examination programme approved thereby.

The certificate shall be issued for a period defined by the authorised body, which may not be less than 5 years.

7. Persons who are considered next of kin or in-laws (parent, spouse, child, brother, sister, spouse's parent, child, brother and sister) of the head of the organisation may not work as a chief accountant.

Article 10. Basic rules for maintaining the accounting

1. Accounting shall be maintained:

(1) in the currency of the Republic of Armenia — the Armenian Dram;

(2) through the double-entry method based on the chart of accounts;

(3) on a continuous basis — from the moment of state registration of the organisation until its reorganisation or liquidation as prescribed by the legislation of the Republic of Armenia.

2. Data of analytical accounts (sub-accounts) and synthetic (control) accounts shall be consistent.

3. The organisation must prepare its financial statements, except for the information on cash flows, based on the accrual basis of accounting, according to which the operations, other cases and events are recognised when they occur and are represented in the financial statements for the periods to which they relate.

Article 11. Initial accounting documents

1. Accounting entries shall be made on the basis of initial accounting documents which attest to the performance of operations, the occurrence of other cases and events.
2. The initial accounting documents shall contain the following mandatory particulars (requisites):
 - (1) the title of the document;
 - (2) the serial number;
 - (3) the year, month and day of drafting;
 - (4) the names (first name, last name) of participants (participant) of the operation;
 - (5) the details of the operation (other case or event);
 - (6) measurement units of an operation (other case or event) in monetary terms and/or in kind;
 - (7) the first name, last name, position and signature of the responsible person (persons).
3. The initial accounting documents may contain additional particulars depending on the nature of the operation (other case or event) and the data processing system. Additional particulars may be defined by the authorised body and/or by the organisation.
4. The initial accounting documents shall be drafted at the moment of performance of the operation (occurrence of other case or event) and, where it is impossible, immediately after the completion of the operation (other case or event).
5. The responsibility for timely and complete preparation of initial accounting documents, for their transfer within the defined terms with the purpose of reflecting them in the accounting records shall lie with the persons who draft and sign those documents.
6. Correction of an error in initial accounting documents shall be agreed with the participants of the economic operation and shall be confirmed by the signatures of persons entitled to sign such document, with an indication of the date of correction.

7. The authorised body may define standard forms of initial accounting documents. The organisation may use such forms or, in accordance with part 2 of this Article, define them independently.

8. Legal acts regulating accounting may define forms of initial accounting documents subject to mandatory application.

Article 12. Accounting books

1. Information available in initial accounting documents shall be collected and systemised in accounting books (hereinafter referred to as “the books”).

2. Operations, other cases and events shall be registered in the books in chronological order.

3. Responsibility for timely and complete preparation of the books shall lie with the persons maintaining them.

4. Unnotified corrections in the books shall not be permitted.

5. The authorised body may define standard forms of the books from among which the organisation shall independently choose its applicable form or, based on this Law and general methodological principles of accounting, shall independently define the forms of the books.

6. Legal acts regulating accounting may define forms of the books subject to mandatory application and the instructions for filling them in.

Article 13. The right to sign accounting documents

The circle of persons entitled to sign accounting documents shall be determined by the head of the organisation, unless otherwise provided for by legal acts regulating accounting; moreover, a hierarchy for the right to sign may be established depending on

the position occupied by the respective person, the sphere of the operation performed, the essence of the transaction and the monetary value of the transaction.

Article 14. Inventory of assets and liabilities

1. Prior to preparing the annual financial statements, the organisation shall mandatorily carry out an inventory of assets and liabilities for the purpose of ensuring the credibility of the financial statements, as well as in cases of reorganisation and/or liquidation of the organisation. In the mentioned cases the procedure and terms for carrying out an inventory shall be defined by the authorised body.
2. Except for the cases referred to in part 1 of this Article, the list of inventory items, the procedure and terms for carrying out inventory shall be defined by the head of the organisation.
3. The fate of the property of undetermined ownership having been identified through inventory shall be decided upon civil law rules for acquiring the right of ownership over ownerless property.

Article 15. Confidentiality of accounting information

1. The information contained in the initial accounting documents, books, and reports prepared for internal use shall be considered as confidential, which may be accessed in cases and in the manner provided for by law, articles of association of the organisation and legal acts regulating accounting.
2. Persons and organisations having accessed the confidential information shall be obliged to keep the confidentiality thereof. In case of its disclosure, they shall bear responsibility as prescribed by law.

Article 16. Custody of accounting documents

1. Accounting documents, as well as the information contained in accounting software and on electronic storage media, *i.e.* the initial accounting documents, books, financial statements, documents pertaining to the accounting policy, automated processing programmes for accounting, shall be kept by the organisation in the manner and within the terms defined by the legislation of the Republic of Armenia, but not less than for 5 years.
2. Seizure of accounting documents shall be carried out as prescribed by law. The organisation shall be entitled to make copies of the documents subject to seizure and keep them.
3. The responsibility for organising the custody of accounting documents shall lie with the head of the organisation.

CHAPTER 4

PREPARATION AND SUBMISSION OF THE FINANCIAL STATEMENTS

Article 17. Composition of the financial statements

1. The composition of the financial statements shall be established by the Public Sector Accounting Standard of the Republic of Armenia.
2. Where the financial statements are subject to mandatory audit in cases defined by law, an audit opinion shall be submitted enclosed with the financial statements.

Article 18. Requirements for drafting the financial statements

1. All the organisations shall be obliged to draft separate or individual financial statements based on analytical and synthetic accounting data.
2. In cases provided for by legal acts regulating accounting, the supervisory organisation shall be obliged to prepare and submit consolidated financial statements. The supervisory organisation, which is a supervised organisation itself, shall submit consolidated financial statements only in cases where it is prescribed by law or by the authorised body.
3. The financial statements of the Republic of Armenia, as a whole entity, shall be prepared by the authorised body.
4. Requirements for presenting information in the financial statements shall be prescribed by the Public Sector Accounting Standard of the Republic of Armenia.
5. The financial statements shall be signed by the head and the chief accountant of the organisation, unless otherwise prescribed by law or by the authorised body.

Article 19. Reporting period

1. The reporting period is the reporting year and the interim reporting period.
2. The reporting year is the period from 1 January through 31 December of the respective year. The first reporting year for a newly established organisation is the period from the day of incorporation (registration) of the organisation through 31 December of the respective year. The annual financial statements shall be mandatorily drafted for the reporting year. The last reporting year for the organisation having terminated its activities without legal succession shall be considered the period from 1 January of the respective year to the day of entry into the registry of the relevant application for the termination of activities.

3. The interim reporting period is the period shorter than one year. The interim financial statements for an interim reporting period shall be drafted in cases defined by the legislation of the Republic of Armenia.

Article 20. Submitting the financial statements

1. The organisation shall submit the financial statements to:

- (1) the founders — pursuant to the articles of association of the organisation;
- (2) the state bodies — in cases and in the manner defined by law or the authorised body;
- (3) the public — through publication in cases defined by law.

2. The terms for submitting the annual and interim financial statements of the organisation shall be defined by the authorised body.

3. The day of submitting the financial statements is the day when they are delivered to the recipients concerned. The day of submission of statements by post is the day of their receipt by the postal department imprinted by the date-stamp, while in case of submitting statements electronically, the day of submission of a statement is the day of submitting the statement based on the relevant notice confirming the receipt and registration of the statement.

Article 21. Public disclosure of the financial statements

1. The organisation shall be obliged to publish its annual financial statements in cases defined by law.

2. The organisation, the financial statements of which are subject to publishing, shall be obliged to publish the financial statements within the terms defined by the authorised body.

3. The organisation shall publish the financial statements at the official web-site for public notifications of the Republic of Armenia at <http://www.azdarar.am>, unless otherwise prescribed by the authorised body.

CHAPTER 5

LIABILITY FOR INFRINGING THE REQUIREMENTS OF LEGAL ACTS REGULATING ACCOUNTING

Article 22. Liability for infringing requirements of legal acts regulating accounting

The head of the organisation and other persons responsible for organising and maintaining accounting shall be liable for infringing the legal acts regulating accounting as prescribed by law.

CHAPTER 6

FINAL AND TRANSITIONAL PROVISIONS

Article 23. Entry into force of this Law

This Law shall enter into force from 1 January 2015.

Article 24. Transitional provisions

1. The requirement provided for in point 3 of part 3 of Article 4 of this Law shall enter into force from 1 January 2016.

2. The requirement prescribed by part 2 of Article 18 of this Law shall enter into force from 1 January 2017.
3. The authorised body shall prepare the first financial statements defined in part 3 of Article 18 of this Law for the reporting period of 2019.
4. Upon entry into force of this Law, persons holding the position of the head of the accounting service shall be considered as having received the qualification of a public sector accountant for a period defined by part 6 of Article 9 of this Law after undergoing professional training organised by the authorised body.
5. Transition of the organisations to the accounting system provided for in this Law shall be carried out pursuant to the timetable established by the authorised body.
6. Legal acts deriving from this Law shall be adopted within six months following the entry into force of this Law.

**President
of the Republic of Armenia**

S. Sargsyan

17 July 2014

Yerevan

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