

**LAW ON ACCOUNTANCY**  
(REVISED TEXT)

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**I. BASIC PROVISIONS**

**Article 1**

Legal entities and natural persons headquartered in the Republic of Macedonia carrying on business defined by the Law on National Classification of Activities (hereinafter referred to as Entities) shall be obliged to keep accountancy in line with the provisions of this Law, unless otherwise regulated by another law.

**Article 2**

The provisions of this Law shall also apply to legal entities and units abroad (representative offices, business units and other forms of performing activities abroad) in which the Entity has invested its capital, unless otherwise regulated by another law.

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\* The Law was published in "The Official Gazette of the Republic of Macedonia", number 42/93 doc. 48/93. 6/95, Constitutional Court number C.C. No.247/95, 248/95, 271/95, 304/95 in 3/06, 32/98, 39/99 and 70/2001

### **Article 3**

The Entity shall keep accountancy, compile and submit accounting statements in accordance with this Law and the accepted accounting principles, accounting acceptable practice and developed accounting standards, for the purpose of stating truly and fairly the condition of the funds, obligations, capital and operating results.

The budget of the Republic of Macedonia, the budgets of the municipalities, the budgets of the Funds and budget beneficiaries of assets, shall keep a separate accountancy of budget funds and of the funds derived from their own income.

The Entity shall through the accountancy provide data on the operations and the operating results indispensable for management in the organization units, in a mode and volume defined by an internal general enactment.

The Minister of Finance shall prescribe or authorize a professional organization to prescribe the accounting standards and accounting principles.

### **Article 4**

The Entities shall from the aspect of accounting records, pursuant to this Law, be classified into large, medium or small-sized depending to the number of employees and the amount of funds under the annual financial statements in the last two years (accounting years).

In the first year of operation the Entity shall be classified according to the assessed volume of its operation, and in the second year according to the data from the previous year of operation.

The classification from one to another Entity, in accordance with paragraph one of this Article, may not be done during the year.

A small-sized Entity shall be considered the one, which, in any of the last two accounting years, i.e. in the first year of operation, has satisfied at least two of the following criteria:

a) the average number of employees, based on hours of work, is not more than 50 employees;

b) the annual income is less than 8,000 average monthly gross salaries per employee in the economy of the Republic of Macedonia, and

c) the average value (at the beginning and at the end of the accounting year) of the assets is less than 6,000 average monthly gross salaries per employee in the economy of the Republic of Macedonia.

As medium-sized Entity shall be considered the one which, in any of the last two accounting years, i.e. in the first year of operation, has satisfied at least two of the following criteria:

a) the average number of employees based on hours of work is not more than 250 employees;

b) the annual income is less than 40,000 average monthly gross salaries per employee in the economy of the Republic of Macedonia, and

c) the average value (at the beginning and at the end of the accounting year) of the assets is less than 30,000 average monthly gross salaries per employee in the economy of the Republic of Macedonia.

The Entities that are not classified into small or medium-sized Entities shall acquire the status of large-sized Entities.

If during the last two accounting years different data of importance for the classification are ascertained, the Entity shall retain the classification from the last year.

The Register of annual accounts at the Central registry shall disclose the data on average monthly gross salaries per employee in the economy of the Republic of Macedonia, up to the end of March for the previous year.

The Register of annual accounts at the Central registry to which annual accounting statements are submitted and which makes supervision within 60 days from the closing date for submission of the last account based on which the Entity is classified according to the provisions of paragraph 1 of this Article, shall inform the Entity of the classification.

As large Entities, irrespective of the criteria of this Article shall be considered: state agencies and organizations and funds and entities preparing consolidated and accounting statements.

## **Article 5**

DELETED.

## **II. MODE OF KEEPING ACCOUNTANCY**

### **A) Business Records**

#### **Article 6**

The Entity shall be obliged to keep business records in line with the provisions of this Law, the accepted standard accounting practice and the developed accounting standards.

Business records shall be provided by prescribed uniform records and other forms of records securing observation of the condition and movement of the Entities' funds, capital, obligations, income, expenses and operating results and their distribution.

The Entity's business records should state realistic data on the monitoring of the process of its operations.

The Entities may keep internal records of the costs and returns, preparation of calculations, preparation of plans, statements and analyses.

The data available from the business records should be such as to contribute to and to enable the Entity's managers to argument the business current and strategic decisions.

#### **Article 7**

Business records shall be kept according to the system of double entry accountancy.

As an exception from the provisions of paragraph 1 of this Article pertaining to the state agencies, institutions and Funds, as well as to other Entities financing their operations in a budget way, keeping of business

records may be prescribed according to the system of budget (cameral) accountancy.

Business records shall be secured by means of business books.

The Entity shall keep business books in the Macedonian language, in Arabic numerals and shall be expressed in denars. If it uses abbreviations, codes, marks or symbols, it has to express clearly their meaning.

All data registered in business books and in other statements have to be all-inclusive and completed, timely, updated and presented in sequence, i.e. to reflect accurately the time sequence of their occurrence.

A datum registered in the business books must not be changed in a manner that will later make impossible the determination of the originally registered contents. Making a change or additions made in a manner that does not allow identifying from their nature the original and originally registered contents and later addition or change shall be contrary to this Law.

Business records shall have the character of public documents.

Business records shall be kept based on accountancy documents.

An accountancy document is a written document on a business change evidencing the change in the assets, obligations, capital, income and expenses.

Business books and other statements, as well as their keeping may be performed in a classical way (on cards) or by electronic media, while observing the principles of regular keeping of accountancy. The Entity shall be obliged, independently from the method of keeping the books, to provide at any time and within a reasonable period access thereto, to store them and to protect them within the period determined therefor, and shall have to guarantee that they may be presented at any time.

The Minister of Finance shall prescribe the form and mode of keeping the budget records.

The Minister of Finance shall prescribe the form and mode of keeping the business books, as well as determine the Entities referred to in paragraph 2 of this Article who will keep the business books under the system of budget (cameral) accountancy.

The Minister of Defense shall prescribe the form and mode of keeping the business books in the units, institutions and organizations of the Army and the form and mode of keeping the material records of the means of armament and the military equipment of the defense.

## **Article 8**

The business books under the system of double entry accountancy shall be kept by applying a single accounts prescribed by an account plan.

The Entity shall, according to its needs, break down the accounts from the account framework to analytical accounts (in its analytical plan of accounts).

Business books under the system of budget (cameral) accountancy shall be kept by applying single profit and loss accounts.

The Government of the Republic of Macedonia shall prescribe the account plans referred to in Paragraph 1 of this Article.

The Minister of Finance shall prescribe the form and substance of the balance sheet schemes as well as the substance of the individual accounts in the account plan.

The Minister of Defense shall prescribe the account plan and the substance of the accounts in the account plan for the units, institutions and organizations of the Army.

## **Article 9**

Business books kept under the system of double entry accountancy shall be: diary, ledger and analytical records (accessory books).

The Entity referred to in Articles 1 and 2 of this Law shall obligatorily keep: the diary, ledger and analytical records (accessory books) of the fixed assets and the treasury, unless otherwise provided by this Law.

The Entity shall decide independently on the keeping of other analytical records.

## **Article 10**

Business books kept under the system of budget (cameral) accountancy shall be: the diary, book of income, book of expenses, book of the treasury, book of giro accounts, book of inventory, book of materials and book of receivables and payables.

## **Article 11**

The Entity shall be obliged to keep the business books in line with the recognized accounting principles, standards, principles and accounting practice.

## **Article 12**

The Entity shall confide the keeping of business records to a professional person in or out of the Entity.

The professional person – authorized accountant shall be responsible for the regularity of the records and for the reality of the data and their presentation before the control and audit institutions in accordance with the provisions of this Law.

Paragraph 3 – ABOLISHED\*

Paragraph 4 – ABOLISHED\*

Paragraph 5 – ABOLISHED\*

The Entity shall be obliged to report the authorized accountant to the Ministry of Finance.

The Ministry of Finance shall keep a register of authorized persons referred to in paragraph 2 of this Article.

## **B) Accounting Documents**

### **Article 13**

Only an authentic accounting document may be the subject of booking in the business books.

The authenticity of an accounting document shall be determined by control.

The Entity shall be obliged to determine by a general enactment the person who will be responsible for the legality and regularity of an accounting document.

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\* Paragraphs 3, 4 and 5 of Article 12 have been abolished by Decision of the Constitutional Court of the Republic of Macedonia (C.C. No. 247/95, 248/95, 271/95 and 404/95), published in the Official Gazette of the Republic of Macedonia” no.3/96.

### **III. ACCOUNTS AND BUSINESS STATEMENTS**

#### **Article 14**

The Entity shall determine the condition of assets, capital, obligations, income, expenses and the operating results, with the annual financial statement for the period 1 January to 31 December.

If the Entity exercises specific rights and obligations based on the periodical statement of account, it may also decide to prepare a periodical statement of account for a period shorter than the period prescribed by paragraph 1 of this Article.

The Entity shall prepare a final financial statement in case of status-related changes, based on which the opening balance of the new Entity shall be determined.

The statements of account in case of such changes shall be prepared on the day proceeding the day of the start of operation in the new status.

#### **Article 15**

DELETED.

#### **Article 16**

The balance sheet and the income statement and the report shall constitute the annual account.

The small Entities referred to in Article 4 of this Law shall not be obliged to prepare an annual financial statement.

## **IV. FORM AND SUBSTANCE OF THE ACCOUNTING STATEMENTS AND THE BUSINESS REPORTS**

### **A) Accounting Statements**

#### **Article 17**

The annual financial statement shall be prepared in line with the principles of duly and regularly kept accountancy.

The annual financial statements and the report shall give a true and fair picture of the assets, capital, obligations, income, expenses and the financial results.

When the statements referred to in Article 2 of this Article do not provide a true and fair picture, the Entity shall have to give additional data.

#### **Article 18**

The distribution of the balance sheet and income statement items, in particular the form accepted for their presentation must not be changed from one to another year.

#### **Article 19**

The Minister of Finance shall determine the data necessary for the system of state records and shall prescribe the form and substance of the form on the system of state records.

#### **Article 20**

DELETED.

## **Article 21**

The annual report shall have to reflect a true and fair survey of the Entity's business undertaking development, as well as its financial condition.

The report shall also contain data on:

- 1) the condition of the Entity in the past business year and all important events that have occurred after the end of the business year to which the annual financial statement relates;
- 2) the probable future development of the Entity, and
- 3) the activities in the sphere of research and development.

## **V. CLOSURE OF THE BUSINESS RECORDS (BOOKS), KEEPING OF ACCOUNTING DOCUMENTS, BUSINESS BOOKS, ACCOUNTING STATEMENTS AND BUSINESS REPORTS**

## **Article 22**

At the end of the accounting year, after the booking of all business changes and settlements, as well as before the closing bookings, the business books shall be closed and the accounting statements of the condition and the income prepared.

## **Article 23**

The Entity shall be obliged to keep orderly accounting evidence, documents and business books, accounting statements and business reports.

The Entity shall be obliged to determine way and the responsible person for keeping accounting evidence, documents and business books, accounting statements and business reports.

In the event of instituting regular liquidation or bankruptcy proceedings, the responsible person referred to in paragraph 2 of this Article shall be

obliged to deliver to the liquidator or the trustee in bankruptcy the accounting documents, business books, accounting statements and business reports confided to him to keep them, and a record evidencing such delivery shall be drawn up.

#### **Article 24**

The Entity shall keep, on a permanent basis, the annual financial statements and the final accounts of the salaries of the employees and their participation in the profit, as well as lists of salaries payment and the employees' participation in the profit for the periods for which the Entity has no available final accounts.

The diary and the General Ledger shall be kept at least 10 years, and the analytical records at least 5 years.

The semi-annual statement of account and other accounts and accounting documents based on which bookings have been made, shall be kept at least 5 years from the last day of the accounting year they relate to.

The Entities that are authorized to perform payment operations shall keep the payment operation-related documents at least three years.

Documents based on which booking documents are prepared (such as control books, accessory forms, and the like), shall be kept at least two years after expiration of the period prescribed with the submission of the annual financial statement for the year the documents relate to.

Annual financial statements and semi-annual statements of account, as well the other periodical statements of account shall be kept in the original form, and the accounting documents shall be kept in the original form or a form transmitted to some of the media for automatic or micrographic data processing.

#### **Article 25**

The Entity, as well as, authorities and organizations and persons entitled to perform review and audit of business books, shall be obliged to keep the accounting documents and data constituting an official, state or military secret in a manner defined by law and other regulations governing such secret.

## **VI. ASSESSMENT OF THE ACCOUNTING STATEMENTS ITEMS**

### **Article 26**

Assessing the accounting statement items, pursuant to this Law, includes determination of the value of individual assets, capital, liabilities, income and expenses in individual balance sheet items.

### **Article 27**

Assessment of the accounting statement items shall be done by applying the assessment rules defined in the Entity's accounting policy, which are in line with this Law, the accepted accounting principles, standards, principles and the current accounting practice.

### **Article 28**

#### **1. Basic Accounting Assumptions and General Rules of Assessment**

The basic assumptions for composing accounting statements shall be:

- a) constancy;
- b) consistency;
- c) keeping of records of the changes as they occur.

The general rules (criteria) of assessing the accounting statement items shall be:

- a) caution (carefulness), the principle of accomplishment and unequal values-imparities;
- b) individual assessment of property and obligations;
- c) linkage of the balance sheet in the time;
- d) material meaning.

The basic rule to assess the balance sheet items is the rule of acquisition value for somebody else's, and/or the cost price of one's own outputs.

The basic accounting assumptions to draw up the accounting statements and the general principles to assess the accounting statement items shall be defined in more detail in the accounting principles and the accounting standards.

## **2. Reconciliation of Business Books and Stock-taking of Assets and Obligations**

### **Article 29**

The reconciliation of the General Ledger with the diary, and of the analytical records with the General Ledger, shall be done prior to the drawing up of the periodical and the annual financial statements and prior to the stock-taking.

The condition of the assets and liabilities in the accountancy shall be reconciled at least once a year with the factual condition, determined by stocktaking on 31 December.

As an exception to the provisions of paragraph 2 of this Article, the Entity may also provide by a general enactment a longer period for stock-taking of the library material (books, films, photographs, files, and the like), provided that such period may not be longer than 5 years.

As an exception to the provisions of paragraph 2 of this Article, the Entity may, by a general enactment, also provide stock-taking of specific assets for shorter periods during the year.

### **Article 30**

The Entity shall also make stock-taking and reconciliation of the condition at the time of handover of office; change in prices of products and goods; status-related changes; instituting regular liquidation and bankruptcy proceedings, and in other cases defined by law.

## **Article 31**

More concrete stock-taking rules shall be defined in the Entity's general enactment.

The Minister of Finance shall prescribe the mode and time limits to make stock-taking and reconciliation of the accounting with the factual condition.

## **C) Assessment of the Balance Sheet Items**

### **1. Intangible and Tangible Investments**

## **Article 32**

Intangible investments, within the meaning of this Law, shall include: initial investments, goodwill, investments in research and development; patents, licenses, concessions and other material rights, as well as the investments in procuring intangible investments.

Tangible investments, within the meaning of this Law, shall include: natural resources (land) and forests) and the means of work (buildings, equipment, multi-year plantations, basic flock and other means of work), as well as investments in procuring natural resources and means of work.

When assessing intangible and tangible investments in the balance sheet shall be entered the amount of the unwritten-off value of the investments, as well as the amounts of the acquisition and written-off value.

Intangible and tangible investments shall be systematically written off during the business year to the charge of the total income, except in the case of the users of the Budget and/or the Funds, if proceeds from the Budget and/or the Funds have not been raised as depreciation by applying the base of the annual depreciation rates resulting from the assessed duration and utilization of the proceeds and the expected income from such utilization in line with the Entity's chosen accounting policy.

Intangible and tangible investments shall be written off as extraordinary expenses, except in the case of users of the Budget and/or the Funds, if proceeds from the Budget and/or the Funds have not been provided

when the Entity will assess that it cannot use such investments anymore, as well as in other cases defined by this Law.

Depreciation rates shall be determined independently by the Entity, provided that the annual depreciation rates determined by the nomenclature of depreciation funds.

The Government of the Republic of Macedonia, by previously provided Macedonian Chamber of Commerce opinion, regulates the nomenclature of the depreciation means at annual depreciation rates, as well as the mode of calculation of depreciation, and/or the writing-off of the value of the intangible and the tangible investments.

### **Article 33**

The acquisition value, i.e. the cost price of the intangible and tangible investments shall serve as the base for writing-off.

The acquisition value of the intangible and tangible investments shall constitute the suppliers' invoice value increased by the dependent costs based on the acquisition and the bringing into the state of functional preparedness.

The cost price of the investments referred to in paragraph 1 of this Article represents the value of the consumed material and all the costs attributable to such investment that is intended for the Entity's own needs. The costs included in the cost price shall cover the direct costs of such investment and the pertaining part of the indirect costs. The cost price may also, include the expenses of the financing of the needs for financing of the production of elements of the tangible investment until its start-up.

If the cost price referred to in paragraph 3 of this Article is higher than the acquisition price of the same or similar product or service, the lower price shall be applied.

The cost price may be considered as an investment depreciation base, but up to the acquisition price of the same or similar product of service.

The depreciation base shall be adjusted for additional investments due to reconstruction, adaptation or other investments increasing the capacity or functional ability.

The depreciation base shall also be adjusted for additional revaluation value of the investments.

### **Article 34**

The base for writing off the founding investments shall be constituted of the study and research expenses, expenses for preparation and purchase of project and other documentation, expenses for professional training and improvement, interest expenses, insurance premiums expenses, as well as other expenses relate to the founding of the Entity, i.e. the Entity's organization unit or plant.

The base for writing off the delimited negative effects of the different growth of the foreign exchange rates of the foreign currencies and of the growth of the domestic prices of the producers of industrial products shall be constituted of the amount of this delimitation determined for a specific business year.

The base for writing off the basic flock shall be constituted of the difference between the market and the slaughterhouse price of the livestock.

The base for writing off the intangible and tangible investments received free of charge shall be constituted of the assessed acquisition value.

### **Article 35**

The writing off of intangible and tangible investments shall start after expiration of the months of the start-up in the year in which the utilization of the investment has started.

As an exception to the provision in paragraph 1 of this Article, the writing off of the investments in the raising of tangible and intangible investments (ongoing or stopped investments) shall start after expiration of the period for start-up provided in the investment survey, i.e. the revised investment survey, with which the investment (the fixed asset) should have started to be used.

## **Article 36**

The writing off of intangible and tangible investments may temporarily be interrupted for the investments impaired by force major until their repair.

## **Article 37**

The obligation to write off shall not apply to the following intangible and tangible investments:

1. land and forests as natural resources that are not consumed;
2. buildings and objects which, in accordance with the Law, have been declared as monuments of culture and historical monuments, i.e. which constitute museum value or works of fine, sculptural, film, and other arts (except that these objects are not used for an activity from which income is earned) and books in libraries.
3. earth and macadam roads of local importance as well as the structures that are an integral part of such roads;
4. buildings (except flats and apartment buildings) and the equipment of the units of the Army of the Republic of Macedonia and the buildings (except flats and apartment buildings) and the equipment which, by virtue of separate regulations, serve as a reserve for the requirement of the defense and security of the Republic, i.e. for the performance of the functions of the public and state security;
5. the bottom layer of the railway and other tracts on the roads, airports, streets, squares, parks and other built public areas;
6. the part of the acquisition value of the flats and apartment buildings spent on the infrastructure, for the requirements of protection of the environment, as well as for the requirements of the defense;
7. the part of the acquisition value of flats and apartment buildings spent on expenses for installation of connections for electrical, heating, plumbing, sewerage, telephone and other telecommunication network at a distance of one meter from the building;
8. all tangible investments of the Entity undergoing a bankruptcy or liquidation proceeding, if it does not perform its activity at the time.

The calculated depreciation of the intangible and tangible investments for operation in the public enterprises for employment of disabled persons, the organizations of disabled persons and in the entities engaged in non-economic activities, as well as the calculated depreciation of the infrastructure and the water management structures may be reduced to the charge of the Entity's equity by an amount not exceeding the corresponding amount of the depreciation of these structures and proportionately to the part in which these structures have been built from funds on a grant basis or with the part in which the Entity's activity is financed from taxes and contributions and/or from the budget.

A decision to reduce the depreciation referred to in paragraph 2 of this Article shall be passed by the body, and/or the donor who has provided or provides funds, and/or the Assembly of the Republic of Macedonia, the municipal assemblies and the Assembly of the City of Skopje, according to which the citizens and the entities have set aside funds by self-contribution or funds are appropriated from taxes and contributions and/or from the budget from which the Entity is financed.

The calculated funds of depreciation of the buildings and equipment pooled with the entities may be used directly for large repairs whereby their life is extended and the value of such buildings and/or equipment is increased in line with the provisions of Article 32 of this Law.

### **Article 38**

Once an intangible or tangible investment has been written off, may not be the subject of a repeated assessment and writing off, irrespective of whether the investment is used further or not.

An exception to the application of paragraph 1 of this Article are the flats and apartment buildings whose writing off may be extended until the writing off of the amount referred to in Article 37 items 6 and 7 of this Law.

### **Article 39**

The deadline to write off intangible investments, with the exception of the difference between the higher purchase value and the lower book value at the time of purchasing parts or whole entities (the goodwill) and the delimited adverse effects of the different growth of the exchange rate of the foreign currencies and of the growth of the domestic prices of the producers of industrial products, as well as the rights that have a fixed period of use, may not be longer than five years.

The investments in goodwill and the delimited adverse effects shall be written off at least at the average annual rate at which the Entity has written off the present value of the fixed assets (writing off of the residual life of duration) in a year in which an investment in goodwill has been made, i.e. the Entity has determined the delimitation.

#### **Article 40**

The Entity may, by a general enactment and in accordance with the provisions of this Law, write off the assets according to one of the methods of depreciation, keeping in mind the targets provided for in the accountancy policy.

The total depreciation determined by any method of writing off may not be lower than 50% of the annual depreciation calculated according to the written off rates, but the total value of depreciation should be provided within the provided period of use.

As an exception to the provisions of paragraph 2 of this Article, the annual rate of writing off of the buildings of the communal infrastructure in the first five years of use may not be lower than one fourth of the prescribed rates.

As an exception to the provisions of paragraph 2 of this Article, the annual rate of writing off of the buildings and plants put into operation by stages during such putting into operation, but not longer than five years, may not be lower than one fourth of the prescribed rate.

When the Entity applies rates of accelerated depreciation, such rates may not be higher than 25% of the prescribed ones.

#### **Article 41**

The writing off of intangible and tangible investments during the year shall be calculated temporarily based on the annual depreciation account adjusted by the changes during the year.

At the end of every business year, as well as at the time of status-related changes, a final depreciation account shall be drawn up.

The depreciation shall be calculated by groups and individually on the intangible and tangible investments determined by the Nomenclature of depreciation assets.

#### **Article 42**

The Entity shall assess the land at market prices, and if such price is unknown, the assessment shall be done as follows:

1) as to building land – in the amount of the value corresponding to the amount of the fee defined in accordance with the regulations on expropriation;

2) as to farmland and other land in the amount of the base for collection of tax on sale of the appropriate land determined in accordance with the regulations on the land sales tax.

The assessment of the value of the forests shall be done according to the data determined by the stock-taking, i.e. by the assessment of the quantity of wood mass of individual kinds of trees, the depth structure and the quality of the wood mass, calculated at the market prices in the nearest market-place (truck road, railway station, floating object, and the like).

The criteria for determining the quantity of the wood mass, its structure and the other elements of importance for determining the value of the forests shall be prescribed by the Ministry of Agriculture, Forestry and Water Economy.

## **2. Claims and Financial Investments**

#### **Article 43**

The claims and the financial investments shall be assessed in the amount of the nominal value derived from the appropriate business or financial transaction. The decrease in the value of the value of the claims and the financial investments and/or their writing off shall be debited to the extraordinary expenses, and the non-agreed increase in the value shall be credited to the extraordinary income, unless otherwise provided by this Law.

The adding of the amount of the calculated revaluation and the interest or the pertaining part to the profit in line with an agreement, and/or contract shall be considered as a new claim, i.e. financial investment, and the value of the corresponding claim and/or financial investment shall be increased on that basis.

The due claims and investments, as well as repayments under long-term financial investments shall be excluded from the long-term financial investments and shall be transferred to other short-term claims not later than the date of the annual balance sheet.

The claims and financial investments that cannot be collected from the countries where the collection is prevented or made difficult due to natural disasters, the due and uncollected claims from the entities in liquidation and by virtue of a court final decision shall be written off by decreasing the value.

The provisions of paragraph 4 of this Article shall not apply to the due and uncollected claims by banks from the entities under the loans paid by the bank abroad, and for which funds are provided to them by law, as well as to the due and uncollected claims by banks from the entities in bankruptcy under the loans rescheduled by law that are written off as of the maturity date under the rescheduling.

### **3. Inventories**

#### **Article 44**

The Inventories of materials, spare parts and goods shall be assessed at the acquisition value calculated according to the method “first in – first out (FIFO)”, according to the method “Last in – first out (LIFO)”, according to the method of average prices or according to the method of calculation of planned prices adjusted for the departures from the accounting period, unless otherwise regulated by another law.

The acquisition price of the materials, and/or spare parts, and/or goods shall contain the net invoice value, customs duties, other import duties, taxes and other duties charged to the price of the suppliers, the transportation costs, insurance and other dependent acquisition costs. The transportation costs may also include the pertaining costs of the Entity’s own transportation not exceeding the level of the price of the same or similar transportation service.

The general acquisition costs shall not be considered as dependent costs, but rather as production costs and/or expenses in the current period.

The materials, and/or spare parts produced by the Entity shall be assessed up to their cost price, provided that this price is not higher than the net market price of the same product, and/or similar product, so that the assessment is done up to the net market price.

The objects constituting the sundries, the tires, and the return packing, shall be written off according to one of the well-known and practice-accepted methods of writing off, provided that the sundries are written off at least at the rate of 20% of the acquisition value per annum.

The nomenclature referred to in Article 32 paragraph 7 of this Law shall prescribe the objects considered as sundries and the method of their writing off and wear-out.

#### **Article 45**

The inventories of the unfinished and finished products shall be assessed up to the full cost price, i.e. up to the selling prices reduced by the duties and sales costs, if these prices are lower.

#### **Article 46**

The cost price of the inventories of the external production and the finished products may also include the general costs that are not included in the production costs under conditions of production of long-term outputs and seasonal sale.

#### **Article 47**

The decrease in the value of the inventories (materials, sundries, spare parts, automobile tires, packing, unfinished products. Finished products and goods) shall be done in the annual balance sheet indirectly, when the Entity will assess that the market value of the inventories is decreasing, and when they lose the value in use for the Entity.

The adjustment of the value of the inventories, referred to in paragraph 1 of this Article, shall not be done for the total quantities, stored by order of the state authority or by virtue of a regulation, as well as, for the materials

purchased for delivery according to a specific contract (until the completion of the delivery) specifying the kinds of the materials.

#### **Article 48**

The Entity's general act shall regulate the mode of assessment of the inventories and their assessment (individually, collectively with a pattern method) of the acquisition price, i.e. the cost price of individual items in the inventories, in accordance with the provisions of this Law.

The mode of assessment of the inventories and the determination of the acquisition price and/or the cost price may not be changed during the same business year.

### **4. Money and Precious Metals**

#### **Article 49**

The money in the treasury and in the accounts shall be entered in the balance sheet according to their nominal amount.

The precious metals and objects of precious metals and objects containing precious metals shall be entered in the balance sheet at least in the value derived from the price of the precious metals in the world market.

The difference between the value determined according to the provision of paragraph 2 of this Article and the values of the previous metals stated in the accountancy shall be stated on the income side, i.e. to the charge of the expenses.

The National Bank of the Republic of Macedonia shall publish in "The Official Gazette of the Republic of Macedonia" until 10 July the prices of the precious metals prevailing on 30 June, and until 10 January the prices prevailing on 31 December of the previous year, with these prices being expressed in denars, based on the average prices from three to five largest world exchanges.

## **5. Non-operating assets**

### **Article 50**

The non-operating assets may include only the expenses paid in advance for at least 12 months pertaining to the coming period and the income of the current period that could not be invoiced, and for which costs have been incurred in the current period, as well as the income based on return on tax and other duties based on exports whose collection falls due in the coming accounting periods.

As an exception to the provisions of paragraph 1 of this Article, for a period longer than one year may be delimited the expenses related to a test run as well as for developing the demand for new products and for finding new markets with expected multi-year effects, for which the data shall be entered in the additional accounting statement. The expenses for a test run may be delimited to the current period of production, and not more than five years, and the expenses for developing the demand and for finding new markets for the current sales period, and not more than three years.

## **6. Other Funds**

### **Article 51**

Other funds, within the meaning of this Law, shall include the funds serving for satisfying the requirements of the collective consumption of the Entity's employees, as well as other funds that do not belong to the Entities business funds.

The assessment of the items of the other funds shall be done in accordance with the provisions of Article 32 to 49 of this Law, provided that the reduction of the value, write-offs of the value and the expenses based on other funds are debited to the obligations to the sources of such funds. The increase in the other funds and the income from such funds shall increase the obligations to the sources of other funds. The Entity using other funds in the activity in which income is earned shall provide data on the income and expenses from such activity in separate analytical accounts in the

accountancy of regular operations, and it may for such activity keep a separate accountancy in accordance with the provisions of this Law.

## **7. Permanent Equity and Uncovered Loss**

### **Article 52**

The permanent equity, within the meaning of this Law, shall include the obligations to the sources of the funds that are not due until the Entity works, as well as the founding investments for an indefinite period.

The permanent equity (permanent sources of funds) shall consist of the nominal capital (social capital-business fund, share capital permanent investments and individual capital) and the non-nominated capital-reserves (legal, statutory and free reserves, undistributed profit from earlier years and undistributed revaluation reserve), as well as other capital created with the operations.

The uncovered loss shall constitute reduction of value (negative item) of the permanent equity.

The permanent equity and the uncovered loss shall be entered in the balance sheet in the nominal amount, i.e. in the book value.

### **C. Long-term Reserves**

#### **Article 53**

DELETED.

#### **Article 54**

DELETED.

#### **Article 55**

Long-term land renewal reserves made in the amounts necessary in order to use the land for the purposes for which it is designed, i.e., upon its use, to bring it to the original condition, as well as to prevent the occurrence of damages, and, if damages have occurred, to remove them (open casts, dumps of slag and ashes, destruction of pit casts, and the like).

The obligation to make land renewal reserves, included in the amount of the water use charges, is not made in the balance sheet of the entity paying such charges.

The amounts necessary for reserves for renewal (reproduction) of forests shall be appropriated from the earned total income in the amount specified by the Entity's general enactment, provided that the appropriated funds are not less than the amount prescribed by the Law on Forests, and at least 15% of the value of the felled wood mass according to the market prices in the nearest market-place (truck road, railway station, floating object, and the like).

The funds earmarked for reproduction of forests shall serve for maintaining the existing forests, renewal of felled forests, for protection of the existing forests and for opening of the existing forests for the purpose of use, for extraction or other purposes for which the forests serve, as well as for other needs of economic activity with forests prescribed by the Law on Forests.

## **9. Obligations**

### **Article 56**

The obligations shall be entered in the liabilities of the balance sheet in the nominal amounts derived from the business and financial transactions.

The reduction of the obligations in relation to the nominal amounts shall be done in extra judicial settlement and the like by direct writing off.

### **Article 57**

The due long-term obligations shall be re-booked to the other obligations not later than the date of the annual balance sheet.

The Entity shall write off the short-term obligations after expiration of the period of the time limit set by statute of limitations in favour of the extra income.

The obligations based on securities shall be adjusted in the business books for the amounts of the interest pertaining to the coming period.

## **10. Non-operating liabilities**

### **Article 58**

Within the framework of the non-operating liability items the pre-collected and/or calculated income and costs of the current period for which a documentation base is missing shall be delayed.

## **11. Undistributed Profit from the Current Year**

### **Article 59**

The undistributed profit from the current year shall be stated in the balance sheet in the nominal amount of the profit of the business year determined from the annual income statement.

## **12. Obligations to the Sources of the Other Funds**

### **Article 60**

The assessment of the obligations to the sources of the other funds in the balance sheet shall be done in accordance with the provisions of Article 52, 56 and 57 of this Law and by appropriate application of the provisions of Article 51 of this Law.

## **D. ASSESSMENT OF THE INCOME ITEMS**

### **Article 61**

The Entity shall state in the income statement the expenses, income and financial results (profit, loss).

#### **a) Expenditure**

### **Article 62**

Within the meaning of this Law, expenditures shall include the operating costs, financing expenses and extra expenses, unless otherwise regulated by another law.

The operating costs shall consist of: material costs, depreciation, non-material costs, calculated gross salaries and the acquisition value of the sold goods and materials.

The financing costs shall consist of: financing costs the relations with related entities, interest. Foreign exchange losses under foreign currency obligations and claims, contractual decrease in the value of the long-term financial investments and other financing expenses.

The extra expenses shall consist of: deficits, penalties, damages, write-off of uncollected claims, expenses from earlier years and other extra expenses.

The expenses that reduce the Entity's funds and do not belong to the expenses referred to in paragraphs 1, 2 and 3 of this Article may be compensated only directly from the employee or to the charge of the equity.

#### **b) Income**

### **Article 63**

Within the meaning of this Law, the income shall include: the operating income, the financing income and the extra income.

Within the meaning of this Law, the operating income shall include the income for which a debtor-creditor relation has been created pursuant to the Law governing obligatory relations and calculated and stated in a document, which, pursuant to this Law, has a character of accounting document, unless otherwise regulated by another law.

The operating income shall include the income earned from sale of products, goods and services, income earned from subsidies, grants, compensation and return on duties based on sales of products, goods and services, income earned from contributions, income earned from use of products, goods and services for intangible and tangible investments (for sundries, for seeds produced for one's own needs, for increase in the basic flock, for advertising, publicity, entertainment, for one's own transportation and for collective consumption; the income from related entities on all bases other than the income from financing and the extra income; the income earned from leasing of intangible and tangible investments, spare parts and sundries; income earned from the abolishment of long-term reserves) and other income.

The financing income shall consist of: the income earned from the financing from the relations with related entities (parent and its units), income from financial investments, interest, foreign exchange gains under foreign currency claims and obligations and other financing income.

The extra income shall consist of: the income earned from residual long-term reserves, surplus income, penalties income, prizes, and the like, write-off of creditors' claims, earlier years income and other extra income.

### **c) Capital gains and losses**

#### **Article 64**

Within the meaning of this Law, as capital gain shall be considered the difference between the sale value of the securities, the equipment and the real estate and their book values revalued on the day of sale.

Within the meaning of this Law, as capital loss shall be considered the difference between the book value of the securities, the equipment and the real estate revalued on the day of sale and their sale value.

## **d) Statement of Results**

### **Article 65**

Within the meaning of this Law, the Entity shall state the financial results as profit or loss before taxation and financial results as profit or loss after taxation.

The profit before taxation shall be stated when the total expenses of the accounting period are compensated from the total earned income.

The profit before taxation shall be increased by the capital gain, and/or decreased by the capital loss.

The net profit – the profit after taxation shall be stated when the profit before taxation is decreased by the amount of taxes, contributions and other duties from the profit.

## **e) Distribution of Results**

### **Article 66**

The net profit – the profit after taxation shall be distributed for covering the operating loss from the earlier years, for increasing the permanent capital and the permanent investments, for dividends and other fees to the investors, for spare parts, for gross employees' salaries and for other purposes.

The balance of the profit referred to in paragraph 1 of this Article shall represent undistributed profit.

## **f) Statement and Covering of Loss**

### **Article 67**

The Entity shall determine and state operating loss if it does not compensate, from its total income, the total expenses as well as the taxes, contributions and other duties on the profit.

### **Article 68**

The Entity shall compensate the loss with the annual account of grants, with the write-off of creditors' claims to the charge of the non-nominated capital and to the charge of its equity in line with the Entity's general enactment and this Law.

## **E. REVALUATION**

### **Article 69**

When preparing the periodical and/or annual financial statement, the Entity shall revalue the intangible and tangible investments, also including their depreciation with the rate of growth of the prices of the producers of industrial products.

The result of the revaluation referred to in paragraph 1 of this Article shall represent a revaluation reserve.

As an exception to the provision of paragraph 1 of this Article, the revaluation of the land and forests under the annual financial statement shall represent the difference between the estimated value of such natural resources at the end of the accounting period in accordance with the provisions of Article 42 of this Law and their book value.

As an exception to the provision of paragraph 1 of this Article, the revaluation of the basic flock shall represent a difference between the value of the basic flock at the end of the accounting period at the market prices and values stated in the accountancy upon the determination of the total income based on the increment of the basic flock.

The Entity may decide to revalue in full or in part all or individual assets serving for the requirements of the defense and the Army of the Republic of Macedonia, except its flats and apartment buildings, at the rate of growth of the prices of the producers of industrial products in favour of the sources of funds from which they have been financed.

## **Article 70**

The Entity shall compensate the financing expenses based on the obligations for fixed assets stated in the income statement to the charge of the revaluation reserves up to the amount of the revaluation of the intangible and tangible investments referred to in Article 69 of this Law.

Within the meaning of this Law, the obligations for fixed assets shall include the obligations to the sources of funds (other than the obligations to the permanent capital) for intangible and tangible investments under which compensation has been made of the corresponding financing expenses to the charge of the revaluation reserves according to the provision of paragraph 1 of this Article.

The Entity may decide not to apply in full or in part the provisions of paragraphs 1 and 2 of this Article, if the raise of the prices of the producers of industrial products in the last month of the accounting period in relation to the same month of the previous year does not exceed 10%.

## **Article 71**

The investments, claims and obligations shall be revalued if defined by an agreement and/or contract, but not more than the rate of growth of the prices of the producers of industrial products.

The revaluation referred to in paragraph 1 of this Article and the foreign exchange losses shall be stated as financing expenses and/or financing income.

The calculation of the interest in shorter periods than the period for which the interest rate has been determined shall be done according to the conforming method, if the raise of the retail prices in the last month of the accounting period in relation to the same month of the previous year exceeds 10%, i.e. if the agreed rate exceeds 10%.

## **Article 72**

The revaluation reserves under the annual financial statement shall be distributed proportionately to appropriate permanent sources of funds, in accordance with the agreement and/or the Entity's general enactment.

### **Article 73**

The Entity shall revalue the flats, apartment buildings, the facilities and objects for collective consumption according to the provisions of Article 69 of this Law in favour of the collective consumption fund.

### **Article 74**

The State Bureau of Statistics shall determine and publish in “The Official Gazette of the Republic of Macedonia”:

1) monthly ratio growth of the producers of industrial products prices – until the 10<sup>th</sup> day of the month, for the previous month;

2) ratio growth of the producers of industrial products prices from the beginning of the year to the end of the month – until the 19<sup>th</sup> day of the month, for the previous month;

3) ratio growth of the producers of industrial products prices from every month in the year until the end of the year – until 10<sup>th</sup> January for the previous year;

4) ratio growth of the producers of industrial products prices in relation to the same month of the previous year – until the 10<sup>th</sup> day of the month for the previous month, and

5) ratio growth of the average of the living costs in the Republic of Macedonia in the period from the beginning of the year to the end of the month in relation to the average of the living costs in the Republic of Macedonia in the previous year until the 10<sup>th</sup> day of the months for the previous month.

### **Article 75**

The Minister of Finance shall prescribe the mode of revaluation from Articles 6 to 73 of this Law.

### **Article 76**

DELETED.

### **Article 77**

DELETED.

## **VIII. SUBMISSION OF THE ACCOUNTING STATEMENTS**

### **Article 78**

DELETED.

### **Article 79**

The annual financial statements shall be submitted to the Public Revenues Administration and to the Register of annual accounts at the Central Register until the end of February of the coming year, i.e. within 60 days from the date of opening the regular liquidation or bankruptcy proceedings or from the occurrence of a status-related change, and the periodical statements of account shall be submitted until the end of the coming month after expiration of the last month of the accounting period.

As an exception to the provision of paragraph 1 of this Article, the periodical statement of account and the annual financial statement prepared by the Entity on the basis of the accountancy kept according to the provision of Article 2 of this Law shall be submitted by the Entity within 30 days from the date of expiration of the period referred to in paragraph 1 of this Article.

## **IX. PENALTY PROVISIONS**

### **Article 80**

A fine of 60,000 to 300,000 denars shall be inflicted for violation to the Entity if:

1) it fails to provide in the business records keeping of data prescribed by this Law (Article 6);

2) it fails to keep the business records under the system of double entry accountancy and in the mode provided for by this Law or by regulations passed on the basis thereof (Article 7 paragraphs 1, 10, 11, 12 and 13);

3) it makes entries in the business records on the basis of improper and non-authentic documentation (Article 13 paragraph 1);

4) it fails to check, by control prior to the booking, the authenticity of the accounting document (Article 13 paragraph 2);

5) it fails to designate in the general enactment the person responsible for the legality and regularity of the accounting document (Article 13 paragraph 3);

6) it fails to keep the accounting documents, business books, accounting statements and business reports, or it fails to designate a person responsible for their keeping (Article 23 paragraphs 1 and 2);

7) it fails to keep on a permanent basis the annual financial statements and finally the calculations of the employees' salaries for the period for which it does not dispose of final calculations of salaries or the employees' salaries payment lists (Article 24 paragraph 1);

8) it fails to keep the diary, the ledger and the analytical records until the time limit prescribed by this Law (Article 24 paragraph 2);

9) at the time of drawing up the accounting statements it fails to comply with the general principles of assessment (Article 28);

10) it fails to reconcile the ledger with the diary and the analytical records with the ledger prior to the drawing up of the periodical and annual statements of account, i.e. prior to the stocktaking (Article 29 paragraph 1);

11) it fails to make stocktaking in accordance with this Law (Article 29 paragraphs 2 to 4 and Article 30);

12) it fails to assess the balance sheet items in the manner and under the procedure prescribed by this Law or by a regulation passed on the basis thereof (Articles 32 to 61);

13) it fails to assess the income statement items in the manner and under the procedure prescribed by this Law or by a regulation passed on the basis thereof (Articles 61 to 69);

14) it fails to make revaluation in the manner and under the procedure provided for by this Law or by a regulation passed on the basis thereof) (Articles 69 to 74);

15) it fails to submit accounting statements in accordance with the provisions of this Law (Article 79).

For the acts referred to in paragraph 1 of this Article the responsible person in the legal entity shall also be punished for violation with a fine from 6,000 to 50,000 denars.

For the acts referred to in paragraph 1 of this Article the responsible person in a state authority shall also be punished for violation with a fine from 6,000 to 50,000 denars.

For the acts referred to in paragraph 1 of this Article items 1, 2, 3, 7, 8, 10, 11 and 13, in addition to the fine, a security measure shall also be meted out prohibiting the legal entity to perform its activity, and prohibiting the responsible person to perform the office of responsible person during three months to one year.

### **Article 81**

A natural person performing business shall, for the acts referred to in Article 80 paragraph 1 items 1 to 15 of this Law, be punished for a violation with a fine from 60,000 to 100,000 denars.

For a violation arising from the acts referred to in Article 80 paragraph 1 items 1, 2, 3, 7, 8, 10, 11 and 13 of this Law, in addition to the fine, a measure of security prohibiting performance of business from three months to one year shall also be meted out to a business performing natural person.

### **Article 82**

A fine from 60,000 to 100,000 denars shall be meted out for violation by a legal entity if after the end of the accounting year, after the booking of all business changes, it fails to close the business books (Article 22).

For the acts referred to in paragraph 1 of this Article the responsible person in the legal entity shall also be punished for violation with a fine from 6,000 to 50,000 denars.

For the acts referred to in paragraph 1 of this Article the responsible person in a state authority shall also be punished for violation with a fine from 6,000 to 50,000 denars.

For the acts referred to in paragraph 1 of this Article the natural person performing business shall also be punished for violation with a fine from 60,000 to 100,000 denars.

## **X. TRANSITIONAL AND FINAL PROVISIONS**

### **Article 83**

As an exception to the provisions of this Law, a separate mode of assessment and revaluation of the value of the socially owned flats and apartment buildings may be prescribed by law.

### **Article 83-a**

As an exception to the provision of Article 14 paragraph 1 and Article 16 paragraph 3 of this Law, the Entity shall determine the condition of the funds, capital, obligations, income, expenses and results, by the semi-annual financial statement for the period 1 January to 30 June 1999, which is submitted to the Public Revenues Administration and to the bearer of payment operations where the Entity holds a giro account until the end of July 1999.

The provisions of this Article shall apply exclusively to the entities, which, in accordance with the Trade Companies Law, are considered as traders.

### **Article 84**

Entities that keep their books in accordance with the Law on Accountancy ("Official Gazette of the Republic of Macedonia" No. 42/93, 48/93, 6/95, 32/98 and 39/99) and the regulations adopted on its basis, shall continue to apply the charts of accounts, the balance sheet schemes and the working books in accordance to the regulations that were in effect in 2000 until the adoption of new regulations in accordance with this Law.

#### **Article 85**

Until the constitution of the Register of annual accounts at the Central Register, the tasks in the authority of the Registry of annual accounts at the Central registry, in accordance with the paragraphs 8 and 9 of Article 4 of this Law shall be performed by the bearer of the payment operations, and the submittal of the annual accounts to the Register of the annual account at the Central Registry, in accordance to the provisions of Paragraph 1 of Article 79 of this Law shall be performed by the bearer of the payment operations where the Entity holds a giro account.

#### **Article 86**

This Law comes into effect on the eight day from the day of its publishing in the "Official Gazette of the Republic of Macedonia" and shall be applied from January 1 2001.

#### **Article 87**

This Law shall enter into effect on the eighth day from its date of publication in "The Official Gazette of the Republic of Macedonia" and shall be applied from 1 January 1994, except for the provisions of Article 12 paragraphs 3, 4, 5, 6 and 7 that will be applied from 1 January 1996.

**From the Law on Amendment to the Law on Accountancy  
("Official Gazette of the Republic of Macedonia" No. 6/95)**

**Article 2**

This Law shall enter into effect on the date of its publication in the "Official Gazette of the Republic of Macedonia".

**From the Law on Amendment to the Law on Accountancy  
("Official Gazette of the Republic of Macedonia" No. 32/98)**

**Article 35**

The entities keeping their business books in accordance with the Law on Accountancy ("Official Gazette of the Republic of Macedonia" No. 42/93, 48/93 and 6/95) and the Law on Personal Income Tax ("Official Gazette of the Republic of Macedonia" No. 80/93, 3/94, 70/94 and 71/98, as well as the regulations passed on the basis thereof, shall continue to apply the plans of accounts, balance sheet schemes and working books in accordance with the regulations in effect in 1997 until the adoption of new regulations in accordance with this Law, the Trade Companies Law and the Law on Personal Income Tax.

**Article 36**

The entities, which on the effective date of this Law have not made a transformation in accordance with the law, shall apply the provisions of the Trade Companies Law in the part pertaining to the trade books and the provisions of this Law.

**Article 37**

The Legislative and Legal Commission of the Assembly of the Republic of Macedonia shall be authorized to determine a revised text of the Law on Accountancy.

### **Article 38**

This Law shall enter into effect on the eighth day from the date of its publication in the "Official Gazette of the Republic of Macedonia", and will be applied from 1 January 1998.

### **From the Law on Amendment to the Law on Accountancy ("Official Gazette of the Republic of Macedonia" No. 39/99)**

### **Article 2**

This Law shall enter into effect on the day of its publication in the "Official Gazette of the Republic of Macedonia".