



Contents

Law of the RA “On Accounting” adopted on 4 December 2019 (come into force on 1 January 2020)	2
Law of the RA “On Accounting and Auditing Regulation and Public Control” adopted on 4 December 2019 (come into force on 1 January 2020)	5

Law of the RA “On Accounting” adopted on 4 December 2019 (come into force on 1 January 2020)

Amendments according to the Law of the RA “On Accounting” adopted on 4 December 2019

The law does not apply to	<i>Article 2</i> <ul style="list-style-type: none">• The Central bank of the RA, companies within the scope of the Law of the RA “On Accounting of public sector companies”, International Monetary Fund, European Central Bank, European Investment Bank, and other international organisations to which the Republic of Armenia is a member, investment funds.
Changes in the basic definitions used in the Law	<i>Article 3</i> <ul style="list-style-type: none">• The companies have been given characteristics according to their size (large, medium, small and micro) and a number of standards have been added according to which companies of different sizes should run their accounting (IASB, IFRS IAS).
Regulatory body on accounting (state authorized body)	<i>Article 4</i> <ul style="list-style-type: none">• Regulatory (state authorized body) body on accounting in the territory of Armenian Republic is the Ministry of Finance.• The regulatory body in accounting for banks, credit organisations, organisations engaged in lombards activities, payment and settlement companies, investment companies, regulated market operator, central depository, insurance companies, reinsurance companies, insurance brokerage companies, investment fund managers is the Central bank of the RA in conjunction with state regulatory body.
The chief accountant of public interest company, large company and medium company	<i>Article 10</i> <ul style="list-style-type: none">• Only qualified accountants and auditors can work as chief accountants in large companies, medium companies and organisations of public interest• In case the accounting of above-mentioned companies is run by specialised company then the person authorized by the latter to perform the functions of chief accountant shall also be an expert accountant or auditor.
Inventory of assets and liabilities	<i>Article 14</i> <ul style="list-style-type: none">• An entity that publishes financial statements should conduct mandatory inventory of assets and liabilities to prepare annual financial statements. The procedure for conducting mandatory inventory is defined by the Public control Board.• Except as stated above, the inventory object list and the inventory procedure is determined by the head of the company.

Confidentiality of accounting information

Article 15

- The information reflected in the financial statements is not considered a trade secret.

Qualification of expert accountant

Article 17

- Qualification is provided by a specialised organisation. Qualification is given to the applicant who simultaneously passed the qualification exams, has higher education at the time of applying for the qualification and has three years of work experience in accounting and financial reporting and/or auditing at the time of applying for the qualification.

Financial statement preparation and types

Article 22

- Public interest company and large company are required to prepare financial statements fully in accordance with IFRS standards.
- The group, whose parent company is a public interest company, and the large group are required to prepare consolidated financial statements fully in accordance with IFRS standards.
- The medium and small companies are required to prepare financial statements in accordance with the requirements of the IFRS for SMEs. The list of the financial statements is defined by the IFRS for SMEs.
- The medium and small group are required to prepare consolidated financial statements in accordance with the IFRS for SMEs. The list of the consolidated financial statements is defined by the IFRS for SMEs.
- Micro organisation is required to prepare financial statements in accordance with the requirements of the Manual to micro-accounting and financial reporting. The list of the financial statements is determined by the guidance on micro-accounting and financial reporting.

Requirements for the preparation of financial statements

Article 23

- Requirements of financial statement for the public interest company and large company as well as the group whose parent company is a public interest company are fully set forth in IFRS.
- For the medium and small company as well as the medium and small group are set forth in the IFRS for SMEs.
- For the micro companies are set forth in the Manual to micro-accounting and financial reporting.

Audit of financial statements

Article 26

- The financial statements of the following companies and groups are subject to statutory audit, for the public interest company and large company, medium company the group whose parent company is public interest company as well as the medium and small group.

Publicity of financial statements Article 27

- All companies and groups, except for small companies, groups and micro companies are required to publish annual financial statements.
- Companies and groups subject to audit by the Law of the RA “On Accounting” and other laws (the parent of the group) are required to publish annual financial statements only after being audited. The financial statements of companies in bankruptcy proceedings may not be audited.

Transitional provisions Article 29

- In the event of expiration of the accountant qualification certificates issued in accordance with the Law of the RA “On Accounting” No. HO-515-N as of 26 December 2002, the Ministry of Finance shall extend them until 1 January 2023 if, by the time the Law of the RA “On Accounting” becomes effective, these certificates are currently valid.

Law of the RA “On Accounting and Auditing Regulation and Public Control”, adopted on 4 December 2019 (come into force on 1 January 2020)

**Regulatory body activity
on accounting and audit activity**

Article 3

- Regulatory (state authorized body) body on audit activity and accounting in the territory of the RA is the Ministry of Finance.

**Public (supervisory authority)
control Board on accounting
and Audit activity
Public (supervisory authority)
control Board**

Article 4, 5

- Public (supervisory authority) control Board on accounting and Audit activity (hereinafter: Public control Board) which is created under ministry of Finance is exercising supervision over the field of Accounting and Audit activity.

**The members of Public control
Board**

Article 7

- The Public control Board consists of seven members. The members of the Board, including the Chairman and the deputy Chairman, shall be appointed by the Minister of Finance with the presentation of the following structures, Ministry of Finance - three members, the Central Bank of the RA - two members, Ministry of Economy - one member, State Revenue Committee - one member.

Specialised organisation

Article 15

- The specialised organisation is a non-governmental organisation based on the membership of regulatory body accredited auditors, expert accountants, and auditing organisations (hereinafter referred to as a member of a specialised institution). The specialised organisation acquires the status of a legal entity from the moment of its registration in the manner prescribed by law.
- The auditor, the qualified accountant, and the audit firm may be affiliated to only one specialised organisation.

**Accreditation of a specialised
organisation**

Article 16

- The specialised organisation must meet the following requirements for accreditation: have at least 100 individuals and 10 legal entities, adopt codes of conduct that meet international standards for auditor conduct, and have a qualification system that meets the International Federation of Accountants' educational standards.

**The functions of a specialised
organisation**

Article 17

- Approves International Education Standards (IES) for auditors and expert accountants (including the list of exams) and the procedure for conducting qualification exams in accordance with the International Education Standards (IES) for auditors and expert accountants, performs quality control of audit services provided by its member audit firms and auditors External evaluation of compliance with requirements. Carries out other powers assigned to it by legal acts governing audit and accounting.

Membership of an audit company in a specialised organisation

Article 18

- To become a member of a specialised organisation, an applicant company must meet the following requirements: be a commercial entity except for open joint stock company, have at least three working auditors, at least 51% of the charter capital belongs to the auditors and/or audit company, if the organisation has a collegial executive body, the number of auditors in the collegial executive body shall not be less than 50% of the members of the collegial executive body. If a company has a single executive body, the person who is the sole executive body must be an auditor, set rules for the quality control of the audit service, and observe those rules, pay an entry fee to a specialised organisation in the manner and amount established by the organisation.

Membership of a private person in a specialised organisation

Article 20

- Have an auditor qualification in accordance with the Law of the RA "On Auditing Activity", or an expert accountant qualification in accordance with the Law of the RA "On Accounting".
- In order to become a member of a specialised institution, a private person must submit the documents provided for in paragraph 2 of this Article.

Regulation and supervision of the activities of a specialised organisation

Article 24

- Regulation and supervision of the activity of a specialised organisation is performed by the Public control Board.

The accounting and financial reports of specialised organisation

Article 25

- The specialised organisation manages the accounting and prepares financial statements in accordance with the Law of the RA "On Accounting".
- The annual financial statements of the specialised organisation are subject to statutory audit.

Sources for property formation of specialised organisation

Article 27

- Sources of specialised property formation are: entry fees charged by members, membership fees charged from members auditors and experienced accountants, membership fees charged from members audit companies, revenues from professional qualification exams, revenues from sales of publications, revenues from trainings, revenues from securities (share and debt), income from bank deposits, donations from state and non-state institutions (including foreign ones) grants.
- Revenue from other sources not prohibited by law.

Transitional provisions

Article 35

- Within six months from the entry into force of the Law of the RA "On Accounting and Auditing Regulation and Public Control", the Minister of Finance shall form the Public control Board.
- Within four months from the entry into force of the Law of the RA "On Accounting and Auditing Regulation and Public Control", at the time this Law enters into force,

According to the Law of the RA “On Audit Activity” № HO-512-N as of 26 December 2002, specialised organisations accredited by the Government shall apply to the policy-making body, specialised organisations accredited within the meaning of the above law, and are obliged to align their accreditation with the requirements established by the Law within twelve months following the date of application.

- If, within the four-month period following the entry into force of the above-mentioned law, no specialised organisation is accredited, then the functions of a specialised organisation as set out in the law above shall be performed by the regulatory body.
- The registry of the specialised organisation shall be published by 1 January 2020 on its official website.



Let's talk

For a deeper discussion of how this issue might affect your business, please contact us at PwC Armenia

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