Accounting and Audit Community of Practice (A&A CoP) STAREP

Requirements to financial reporting applied to different types of business entities in UKRAINE
Participants of A&A CoP Ukraine:

1. Mr. Oleg Kantsurov – Ministry of Finance of Ukraine (the central body of executive power, defining principles and methods of accounting and financial reporting),

2. Mr. Eugen Kapinus – Economic Reforms Coordination Center under the President of Ukraine (development of the country economic reforms` strategy and support of its implementation)

3. Mr. Maxim Libanov – National Securities and Stock Market Commission (approval of reporting requirements for public companies and securities market participants, administering of the electronic reporting system),

4. Ms. Lyudmila Lovyns`ka – Academy of Financial Management under the Ministry of Finance of Ukraine (scientific-and-methodological center for development and implementation of researches in budget and financial areas)

5. Ms. Valentyna Legka - Ukrainian Federation of Professional Accountants and Auditors (leading professional non-government organization in the area of accounting and audit),

6. Mr. Ivan Nesterenko – The Chamber of Auditors of Ukraine (non-government organization, independent body in the area of regulation of auditors` activity)
Legal Grounds

• Law of Ukraine “On Accounting and Financial Reporting” adopted as of July 16, 1999 (№996-XIV)
• Law of Ukraine «On Auditing” adopted as of April 22, 1993 (№3125 – XII)
• National Standards (Provisions) on accounting as adopted by an individual orders of the Ministry of Finance of Ukraine, starting from 1999.
• IFRS (applied starting from 2012)
• Country strategy and an action plan were first approved in 1998 and are being reviewed/updated on a regular basis. The Strategy and the Action plan effective as of now were enacted in November 2011 (Regulation of the Cabinet of Ministers of Ukraine of November 7, 2013 #820)

The Report on Observance of Standards and Codes (ROSC) in the area of Accounting and Audit in Ukraine was issued in 2008.
# Current status on Key Recommendations of A&A ROSC

<table>
<thead>
<tr>
<th>Recommendations from 2008 A&amp;A ROSC</th>
<th>Current Status of Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require all public interest entities to apply IFRS and make audited financial reporting publicly available</td>
<td>Accomplished (amendments to the Accounting Law as of May 12, 2011 #3332-17)</td>
</tr>
<tr>
<td>SME to be subject to reduced reporting requirements appropriate to their size and nature</td>
<td>Accomplished</td>
</tr>
<tr>
<td>Establish public oversight of the Chamber of Auditors of Ukraine</td>
<td>In the process of accomplishment (draft amendments to the law On Auditing are being submitted to the Parliament of Ukraine)</td>
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### Current status on Key Recommendations of A&A ROSC (continued)

<table>
<thead>
<tr>
<th>Recommendations from 2008 A&amp;A ROSC</th>
<th>Current Status of Accomplishment</th>
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<tr>
<td>National Bank of Ukraine (NBU), National Securities Commission (NSC), and National Commission in the area of non-banking financial institutions (NBFSC) to adopt risk-based supervision</td>
<td>Accomplished (NBU Regulation #104 of 2004; NBFSC Regulation #585 of 2010; NSC Regulation #553 of 2012)</td>
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<tr>
<td>Accounting and Auditing professional qualification syllabi to be reviewed for compliance with IFAC`s International Education Standards, and CPD requirements to comply with IFAC guidelines</td>
<td>In the process of accomplishment (including development of the national professional certification program, which is scheduled for 2015 according to the Regulation of the Cabinet of Ministers of Ukraine of November 7, 2013)</td>
</tr>
<tr>
<td>University syllabi in accounting to be updated</td>
<td>In the process of accomplishment</td>
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Classification of business entities in accordance with the Commercial Code of Ukraine:

- **Micro** – number of employees ≤ 10, yearly annual revenue ≤ 2 000 000 euro
- **Small** – number of employees ≤ 50, annual revenue ≤ 10 000 000 euro
- **Medium** – number of employees ≤ 250, annual revenue ≤ 50 000 000 euro
- **Large** – number of employees > 250, annual revenue > 50 000 000 euro
## Legal requirements to corporate financial reporting and consolidated financial reporting

<table>
<thead>
<tr>
<th>Entities</th>
<th>Accounting standards</th>
<th>Audit requirements</th>
<th>Publication</th>
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<tbody>
<tr>
<td>Public Interest Entities (PIEs)</td>
<td><em>International Financial Reporting Standards</em></td>
<td>Obligatory auditing</td>
<td><em>Obligatory publication</em></td>
</tr>
<tr>
<td>Business entities, which are not PIEs, including large, medium, small and micro</td>
<td>National Accounting Provisions (Standards) or IFRS by the entity's choice</td>
<td><em>Not required</em></td>
<td><em>Not required</em></td>
</tr>
<tr>
<td>State entities (budget-financed institutions)</td>
<td>Regulatory acts of the Ministry of Finance of Ukraine</td>
<td><em>Financial revision</em></td>
<td><em>Not required</em></td>
</tr>
</tbody>
</table>
Establishing accounting standards (1)

In accordance with the second part of Article 6 of the Law of Ukraine “On accounting and Financial Reporting” the Ministry of Finance of Ukraine is defined as the key state executive body responsible for establishing accounting standards in Ukraine.

Minister of Finance is appointed by the Parliament of Ukraine (Verkhovna Rada of Ukraine), s/he is subordinated to the Cabinet of Ministers and reports to the Parliament.
Establishing accounting standards (2)

Work on the draft ordinance of the Ministry of Finance of Ukraine relating to approval of the National Accounting Provision (Standard) includes the following stages: - publication of the draft ordinance on the Internet web-site of the Ministry of Finance; - consultation process with all relevant parties; - review of the draft ordinance at the meeting of the Accounting Methodological Board under the Ministry of Finance (which is comprised of representatives of professional NGOs, regulators in the area of securities market, financial reporting users, such as commercial banks, investors, other businessmen); - obtaining of a conclusion of the document from the State Service on Regulatory Policy and entrepreneurship development; - approval/signing of the ordinance by the Minister of Finance of Ukraine; - getting the state ordinance registered at the Ministry of Justice of Ukraine; - official publication of the ordinance.
IFRS and IFRS for SMEs

IFRS were adopted in Ukraine based on the Law of Ukraine “On Accounting and Financial Reporting” (article 12-1), and are obligatory for application by public companies, banks, insurers, and business entities by certain types of activities as defined by the Cabinet of Ministers of Ukraine. These entities should apply IFRS in a version which is published at the official web-site of the Ministry of Finance of Ukraine (being updated on a regular basis according to changes adopted by IASB).

IFRS for SME are also translated and published on the official web-site of the Ministry of Finance of Ukraine, and are open for application by small and medium-sized business entities.
Expectations of UKRAINE from participation in regional Program (A&A CoP/STAREP )

1. Support in development of an Action Plan;
2. Development of an electronic reporting format;
3. Consultations on implementation of anti-crisis program implemented in EU;
4. Issues relating to implementation of integrated reporting;
5. Institutional strengthening of the Ministry of Finance, financial sector regulators, auditors etc;
6. Consultations on implementation of legislative norms and best EU practice,
7. Increase of transparency of the state-owned entities considering the strategy of acquirement of the EU associated membership;
8. Share of experience and participation in the training programs.
THANK YOU!

Ministry of Finance of Ukraine

www.minfin.gov.ua