

November 13, 2017

The President of Ukraine signed the Law “On Introduction of Amendments into the Law of Ukraine ‘On Accounting and Financial Statements in Ukraine’ in Connection with the Improvement of Certain Provisions.”

Implementation of the provisions set out in the Law will result in enhanced quality of the financial statements in Ukraine and will ensure the performance of Ukraine’s obligations pursuant to the Ukraine–European Union Association Agreement (Directive 2013/34/EU, dated 26 June 2013 *On Annual Financial Statements, Consolidated Financial Statements and Reports of Certain Types of Companies, Related Thereto*).

Main legal developments:

Wider definitions are introduced for generally applied terms in compliance with EU laws, in particular:

- Consolidated financial statements
- Management report – document containing financial and non-financial information regarding an entity
- Taxonomy of financial statements – figures related to the financial statements and their elements, which are subject to disclosure

The entities, which are of public interest:

- Companies operating as issuers of securities listed on stock exchanges
- Banks
- Insurance companies
- Non-state pension funds
- Other financial institutions (except for those other financial institutions and non-state pension funds which fall under the category of micro-entities and small entities) and companies that fall under the category of major companies pursuant to the aforesaid Law

Classification of entities

For the purposes of such Law, entities (except for budgetary institutions) can fall under the categories of micro-entities, small, middle-sized or major entities.

Category of an entity*	Book value of assets	Net proceeds from sale of products (goods, works or services)	Average number of employees
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Micro-entity	< €350,000	< €700 000	Not exceeding 10 persons
Small entity	< €4,000 000	< €8,000 000	Not exceeding 50 persons
Middle-sized entity	< €20,000 000	< €40,000 000	Not exceeding 250 persons
Major entity	> €20,000 000	> €40,000 000	Exceeding 250 persons

*If an entity falling under one of the above categories pursuant to the figures set out in its annual financial statements fails to comply with the specified criteria during two consecutive years, it is referred to another category of entities [giving due consideration to its changed figures].

In addition to Ukrainian Hryvnias, the Law allows financial statements to be maintained in foreign currencies.

Financial statements:

1. General requirements to financial reporting

- The liability for organizing the maintenance of accounting records and document storage is borne by the executive (management) of such entity or owner pursuant to the effective laws and constituent documents
- An entity that is of public interest is obliged to establish an accounting service headed by its chief accountant; such service should include no less than two persons
- A person, who has completed a higher education course (with a major in economics) and has gained experience in the respective field (no less than three years) may hold the position of Chief Accountant of an entity that is of public interest

2. Execution of financial statements

- Financial statements are signed by the executive (owner) of an entity and its accountant
- If an entity's accounting records are maintained by the entity conducting activities in the field of accounting and/or auditing, its financial statements are signed by the entity's executive or authorized person as well as the executive of the entity conducting activities in the field of accounting and/or auditing
- Liability of the entity conducting activities in the field of accounting and/or auditing should be defined by the effective laws and agreement for the provision of accounting services
- Shortened (in terms of figures) financial statements:
 - For micro-entities
 - Small entities
 - Non-entrepreneurial companies
 - Representative offices of foreign business entities (except for those obliged to draft financial statements pursuant to international standards)

3. Special requirements to financial statements

- Those entities that are controlling other entities are permitted not to file consolidated financial statements, if their figures, along with those of their controlled entities, do not exceed two of the below criteria as of the date of compiling the financial statements:
 - Book value of assets – up to €4 million
 - Net proceeds from sale of products (goods, works and services) – up to €8 million
 - Average number of employees – up to 50 persons

4. Disclosure

- To provide copies of financial statements and consolidated financial statements – all entities, subject to inquiries from legal entities and individuals, in compliance with the procedure stipulated by the effective laws
- To publish annual financial statements and annual consolidated financial statements, together with the auditors' opinion, on its webpage:
 - Before the thirtieth of April in the year following the period under review:
 - Entities that are of public interest (except for major entities that are not issuers of securities)
 - Public joint stock companies
 - Entities constituting natural monopolies on the nationwide market and entities carrying out activities related to the mining of minerals of nationwide importance
 - Before the first day of June in the year following the period under review:
 - Major entities that are not issuers of securities
 - Middle-sized entities
 - Other financial institutions falling under the categories of micro-entities and small entities

The Law shall enter into full force and effect from 1 January 2018, except for the provisions related to publication of annual financial statements, along with the auditor's opinion, on the webpages of major entities and other financial institutions falling under the categories of micro-entities and small entities, that enter into full force and effect from 1 January 2019.

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