

SLOVENIAN ACCOUNTING STANDARDS

2024



Slovenian Accounting Standards 2024

Slovenian Accounting Standard 1 (2024)	
Property, Plant and Equipment	22
Slovenian Accounting Standard 2 (2024)	
Intangible Assets	37
Slovenian Accounting Standard 3 (2024)	
Investments	44
Slovenian Accounting Standard 4 (2024)	
Inventories	57
Slovenian Accounting Standard 5 (2024)	
Receivables	64
Slovenian Accounting Standard 6 (2024)	
Investment Property	70
Slovenian Accounting Standard 7 (2024)	
Cash	76
Slovenian Accounting Standard 8 (2024)	
Equity	79
Slovenian Accounting Standard 9 (2024)	
Liabilities	84
Slovenian Accounting Standard 10 (2024)	
Provisions	89
Slovenian Accounting Standard 11 (2024)	
Accruals and Deferrals	95
Slovenian Accounting Standard 12 (2024)	
Costs of Materials and Services	101
Slovenian Accounting Standard 13 (2024)	
Labour and Employee Benefit Costs	104
Slovenian Accounting Standard 14 (2024)	
Expenses	108
Slovenian Accounting Standard 15 (2024)	
Revenue	112
Slovenian Accounting Standard 16 (2024)	
Identification and Measurement of Fair Value	123
Slovenian Accounting Standard 17 (2024)	
Impairment of Property, Plant and Equipment and Intangible Assets	132
Slovenian Accounting Standard 20 (2024)	
Formats of a Balance Sheet for External Financial Reporting	139
Slovenian Accounting Standard 21 (2024)	
Formats of an Income Statement for External Financial Reporting	150

Slovenian Accounting Standard 22 (2024)	
Formats of a Cash Flow Statement for External Financial Reporting	157
Slovenian Accounting Standard 23 (2024)	
Formats of a Statement of Changes in Equity for External Financial Reporting	164
Slovenian Accounting Standard 30 (2024)	
Accounting Solutions for Sole Proprietors	172
Appendix I	176
Appendix II	178
Slovenian Accounting Standard 31 (2024)	
Accounting Solutions for Cooperatives	180
Slovenian Accounting Standard 32 (2024)	
Accounting Solutions for Public Service Enterprises	183
Slovenian Accounting Standard 33 (2024)	
Accounting Solutions for Societies and Disability Organisations	186
Slovenian Accounting Standard 34 (2024)	
Accounting Solutions in Non-Profit Organisations – Private Law Entities	190
Slovenian Accounting Standard 35 (2024)	
Accounting Solutions in Social Enterprises	193
Slovenian Accounting Standard 39 (2024)	
Accounting Solutions in Organisations in Bankruptcy or Compulsory Winding-Up.	199

A Introduction

1 The Purpose of the Slovenian Accounting Standards

The Slovenian Accounting Standards (hereinafter referred to as the SASs) are the rules of professional conduct in the field of accounting, which were developed by the Slovenian Institute of Auditors (hereinafter referred to as the Institute). Article 5 of the 1989 Accounting Act provided an impetus to the development of the accounting standards by authorizing the supreme professional organisation in the country to independently develop its professional standards following both the advancement of the profession internationally and its achievements on the domestic front, thus replacing the former role of the national government which had regulated the accounting profession and activities by adopting relevant laws and other regulations. This new trend in the development of professional standards continued in the Republic of Slovenia through the Companies Act and the Auditing Act as well as other laws and regulations that used the two Acts as reference.

The SASs revised for the fourth time are based on the Companies Act and transpose the content of Directive 2013/34/EU into the Slovenian legal order. The SASs set out professional accounting rules by amending and defining, in greater detail, the statutory provisions and definitions. They are, therefore, professional rules that break-down and explain the basic accounting rules and requirements laid down by law and specify the manner of their application.

The SASs are an original merger of national accounting theory with the international requirements, in particular those defined by the International Financial Reporting Standards and European Union directives. The distinctive feature of the original SASs was that they dealt with accounting as a whole, both for internal and external needs of organisations. They covered financial, cost and management accounting. The original SASs were based on the fundamental idea that external financial reporting, shaped by external requirements, should also influence the underlying accounting arrangements on which specific internal financial reporting solutions are based. However, the revised SASs, similar to the International Financial Reporting Standards, only address financial accounting and reporting rules for the external requirements of organisations. They are complemented by the Recommended Accounting Rules (hereinafter RARs), which were previously part of the SASs.

In both financial and cost accounting, business events (transactions) are normally monitored in monetary terms since bookkeeping is the core section of any financial and cost accounting. If, however, the managerial aspect of accounting prevails, accounting information may include both monetary and non-monetary items (expressed in natural units of measure). From the management point of view, the accounting thus provides planning, measurement, and the preparation of information system data, expressed in either monetary amounts or natural units of measure, which affect the management activities required to implement the strategy of organisations and to achieve their tactical and operational goals in order to increase the organisation's value. For this reason, management accounting as a management information system comprises monetary and non-monetary data on the organisation's activities, its production units, products, services, customers, processes, employees, technology, suppliers, and competitors. The national theoretic approach to accounting has been embodied in the Code of Accounting Principles. The first Code was developed and adopted in 1972, while the last revised version was approved by the Institute's Council of Experts on 22 March 1995. The current SASs are derived from this general national theoretic framework. Whereas the accounting principles deal with the understanding of accounting, describe its fundamental features and form the basis for accounting policies relevant to the substance and measurement of economic categories and their presentation and explanation, the accounting standards deal, in greater detail, with accounting principles concerning the capturing and processing of accounting data, the preparation and presentation

of accounting information, and the storage of accounting data. The Code of Accounting Principles has not been subsequently revised or amended, as the SASs are required to be based on the requirements of the European Union Directives. Financial statements stipulated by law are merely a final consequence of book-keeping. The SASs deal in great detail with the procedures which affect the mandatory financial statements for external purposes, but do not, however, provide details relevant to other statements of accounts and budgets prepared for external purposes, and deal much less with the details relevant to the statements of accounts and budgets prepared for internal purposes. Furthermore, the Slovenian Accounting Standards do not explore issues concerning taxation. Taxation regulations may in many respects complement the requirements imposed by professional standards, but they only affect the way tax accounts or returns are prepared, not the solutions in accounting standards.

The SASs apply primarily to companies, but are also used by other organisations, sole proprietors, institutes, associations, agencies and even government organisations, where this is specifically provided for in sectoral regulations. Thus, the revised SASs use the term organisation as the broadest term for all users of the SASs. The fundamental rules of accounting, in particular the rules for recognition, derecognition, measurement and valuation of economic categories, shall be the same in all organisations under the revised accounting concept regardless of the legal and organisational form of the organisation. Therefore, specific standards regulate only specific features of accounting solutions for organisations that are not companies or are social enterprises. The components of SASs are the explanatory glossaries of technical terms added to each standard and the clarifications of the SASs or to the Introduction to the SASs and the Framework of SASs.

This Introduction to the SASs presents the general background to the structure of the SASs. Each SAS shall be read in conjunction with this Introduction.

2 The Slovenian Accounting Standards System

The complete SASs include the Introduction to the SASs and the Framework of SASs, as well as the individual SASs that regulate economic categories (Standards I), standards for external financial reporting (Standards II) and standards specific to organisations in particular industries (Standards III). Their classification is as follows:

SAS 1	Property, Plant and Equipment
SAS 2	Intangible Assets
SAS 3	Investments
SAS 4	Inventories
SAS 5	Receivables
SAS 6	Investment Property
SAS 7	Cash
SAS 8	Equity
SAS 9	Liabilities
SAS 10	Provisions
SAS 11	Accruals and Deferrals
SAS 12	Costs of Materials and Services
SAS 13	Labour and Employee Benefit Costs
SAS 14	Expenses
SAS 15	Revenue
SAS 16	Identification and Measurement of Fair Value
SAS 17	Impairment of Property, Plant and Equipment and Intangible Assets
SAS 20	Formats of a Balance Sheet for External Financial Reporting
SAS 21 (2016)	Formats of an Income Statement for External Financial Reporting
SAS	
SAS 22	Formats of a Cash Flow Statement for External Financial Reporting
SAS 23	Formats of a Statement of Changes in Equity for External Financial Reporting
SAS 30	Accounting Solutions for Sole Proprietors

SAS 31	Accounting Solutions for Co-operatives
SAS 32	Accounting Solutions for Public Service Enterprises
SAS 33	Accounting Solutions for Societies and Disability Organisations
SAS 34	Accounting Solutions for Non-Profit Organisations - Legal Entities Governed by Private Law
SAS 35	Accounting Solutions for Social Enterprises
SAS 39	Accounting Solutions for Organisations in Bankruptcy or Compulsory Winding-up

The SASs from 1 to 17 deal with the methodology of substantive presentation of economic categories, the SASs from 20 to 23 address the methodology for the presentation of economic categories for external financial reporting, and the SAS from 30 to 39 describe the specific features of accounting for organisations in particular industries and the specific features of accounting in situations where the fundamental accounting assumptions underlying the general SASs are not taken into account, for example, the specific features of accounting for organisations with a limited period of operation. In their statutory external financial reporting, going concern organisations are required to follow the Introduction to the SASs and the Framework of SASs and the SASs of the individual economic categories (Standards I) and reporting standards (Standards II). Other organisations are required to follow also the relevant activity-specific standards or standards for organisations operating in special circumstances (Standards III).

Those organisations which are required by law to apply the SASs do not apply directly and indirectly the provisions of the International Financial Reporting Standards prescribed by Commission Regulation (EU) 2023/1803 of 13 September 2023 on the adoption of some international accounting standards in accordance with Regulation 1606/2002/EC of the European Parliament and of the Council.

Organisations shall keep books of accounts in accordance with their chart of accounts, which shall be compiled on the basis of the Uniform Chart of Accounts for companies, sole proprietors, cooperatives, non-profit organisations - legal persons (entities) governed by private law and associations and disability organisations, which shall be prescribed by the Slovenian Institute of Auditors.

The provisions in the International Financial Reporting Standards shall apply only as information on professional achievements.

3 The Process of Preparing the Slovenian Accounting Standards

The SAS Committee operating within the authorities of the Institute has a permanent chairperson, specifically appointed by the Institute's Council of Experts, and six members. As a rule, at least two members of the seven-member Committee shall be university professors of accounting and auditing, two shall be certified auditors, and two shall be certified accountants. For the compilation of an individual SAS, the SAS Committee shall appoint a working group consisting of a chairperson and two members, normally one from among university professors of accounting and auditing, one from among certified auditors and one from among certified accountants. In the event that an individual SAS significantly affects also other industries, the working group shall include a representative of certified business finance experts or professionals, certified tax experts, certified internal auditors, certified business and asset valuers, or a certified information systems auditors. In addition to this kind of experts who are registered with the Institute, other external experts may also be involved in the process of drafting a specific SAS. Within a specified timeframe, the working group shall prepare a draft of the SAS and submit it to the Committee; once at least two thirds of the Committee members have approved the draft, it can be then reviewed by the Institute's Council of Experts. When at least two thirds of the Council members have approved the draft, it shall be published on the Institute's website and shall be open to public consultation for a period of at least three months. The same working group shall gather comments and proposals submitted in the course of the public consultation and, upon careful deliberation, incorporate them into the final draft SAS which it then submits to the SAS Committee. Once at least two thirds of the Committee members have approved the draft, the final proposal shall be submitted to the Institute's Council of Experts authorized to adopt the Slovenian Accounting Standards. A SAS shall be

adopted, if no less than two thirds of all members of the Council of Experts have voted in its favour. As such it is then published in the Official Gazette of the Republic of Slovenia with the prior consent of the Minister of the Economic Affairs and the Minister of Finance of the Republic of Slovenia.

The decision of the Institute's Council of Experts, added to the draft of each SAS, which has been submitted for public consultation includes also the names of the chairperson and members of the working group that prepared the draft. Once a particular SAS is adopted, the drafting working group is no longer recorded. However, in the appendix to the Slovenian Accounting Standards, published by the Institute, the names of the members of the Institute's Council of Experts, the SAS Committee and the working groups that drafted individual SASs are recorded. The chairperson of the working group that drafted a particular SAS shall be its main author.

The Institute's interpretations to the SASs or to the Introduction to the SASs and the Framework of SASs shall be adopted in accordance with the same procedure, but without any public consultation; they shall also be decided on by the Institute's Council of Experts.

4 The Structure of an Individual Slovenian Accounting Standard

Each of the SAS consists of several sections.

The introductory section (A) explains the purpose and scope of the SAS, as well as the relationship with other SASs.

Section B contains the text of the Standard itself; as a rule, it is divided into subsections, especially when it refers to the separate economic categories that also call for particular attention in terms of their revaluation.

Section C contains definitions of some terms and/or explanations of the terms used in the Standard that facilitate its understanding. Section D includes the necessary clarifications of the Standard, while Section E sets out the dates of adoption and beginning of application of the Standard.

The text from the beginning of Section B to the end of Section E is, in all SASs, structured in numbered articles. Each article number starts with the number of the relevant Standard; the two numbers are separated by a dot (for example: 1.3 stands for Article 3 of SAS 1). In view of the fact that the SASs are revised from time to time, the effective year shall to be added in brackets at the end of the relevant Standard number (for example: SAS 1 (2024) stands for SAS 1 which became effective in 2024).

Interpretations of the SASs that are not already contained in its Chapter D may be provided and adopted only by the Institute when a need arises. As long as the clarifications are not covered by Chapter D, reference shall be made to the relevant number of the interpretations published in the Official Gazette of the Republic of Slovenia. The interpretation shall clearly state the standard to which it refers.

5 Recommended Accounting Rules

The SASs complement the Recommended Accounting Rules (RARs), which address the methodology of operation in separate areas of accounting: such as budgeting, bookkeeping, accounting control, accounting analysis and accounting information, as well as consolidation.

RARs are drafted and adopted in the same way as SASs, except that the Minister responsible for Economic Affairs and the Minister responsible for Finance need not give their consent to them. Once adopted, the RARs shall be published on the Institute's website: www.si-revizija.si.

The application of RARs is not mandatory but is recommended primarily for internal financial reporting.

The Institute's Council of Experts and the Certified Accountants and Accountants Board may also adopt recommendations for practice, which they publish in the SIR*IUS electronic journal, available on the Institute's website: www.si-revizija.si.

B The Framework of Slovenian Accounting Standards

1 The Fundamental Accounting Assumptions and Qualitative Characteristics of Accounting

Accounting shall be designed in a manner that the preparation of financial statements does not pose any major challenges. Financial statements are understood to include the balance sheet, the income statement, the cash flow statement and the statement of changes in equity. The management is responsible for their preparation and presentation.

External financial reporting requires a true and fair presentation which, of course, is expected also in relation to internal financial reporting. In view of this, the accounting assumptions underlying the preparation of financial statements may be applied in general to the entire accounting.

Accrual accounting basis and going concern are two fundamental accounting assumptions.

The first assumption implies that the financial statements shall be prepared on the basis of accrual accounting. Under this accounting approach, transactions or business events are recognised when they occur, and not merely upon payment, and they are recorded in books of account and reported in the financial statements for the periods to which they relate. Expenses are recognised in the income statement and, prior to that, in the books of account, on the basis of direct connection between the incurrance of costs or expenses and the generation of revenue. Nevertheless, the application of the matching principle of revenue and expenses does not allow the recognition in the balance sheet of those items that do not meet the definition of assets or liabilities.

The second assumption implies that financial statements shall be prepared as if the organisation is going to continue its operations for an indefinite time in future and as if it has neither the intention nor the necessity to discontinue its operations or materially reduce its activities. Accounting based on this assumption requires the economic categories to be valued differently than they would be, if the organisation were to discontinue its operations. All SASs, except SAS 39 *Accounting Solutions for Organisations in Bankruptcy or Compulsory Winding-up*, follow this assumption. Organisations for which this assumption does not apply due to justified doubts about the continuation of the operations, perform accounting only in accordance with SAS 39.

The SASs represent a detailed reminder to organisations of what they need to pay particular attention to when developing their accounting policies, i.e. the rules and procedures that shall be followed and applied in the preparation of financial statements and thus throughout their entire accounting. The qualitative characteristics of financial statements and thus of the entire accounting are *understandability, relevance, reliability and comparability*.

The first qualitative characteristic is **understandability**, and it means not only that financial statements and items included in them are readily understandable by users, but also that the meaning of the accounts and the entries in the accounts can be identified. Financial statements are understandable when they are comprehensible to users who have a reasonable knowledge of business and economic activities and accounting, and who study the information with reasonable diligence.

The second qualitative characteristic is **relevance**, and it means not only that the items included in financial statements have the desired, required, and useful characteristics, but also that the accounts and the entries in the accounts are relevant for a specific purpose and to specific rules. The relevance of items is affected by their nature and materiality, and materiality in turn depends on the size of an item or an error assessed in the particular circumstances, or on the omission or misrepresentation of an item. Information is relevant when it helps the users to take, correct or confirm business decisions. Information is material when it can be reasonably expected that its omission, misstatement or reduced clarity might influence the business decisions of users taken on the basis of financial statements.

The third qualitative characteristic is **reliability**, and it means that not only the items included in financial statements are free from material errors and biased views, and that they represent faithfully that which they either purport to represent or could reasonably be expected to represent, but also that the accounts and entries in the accounts are complete and reliable. Information should be complete in terms of materiality. Reliability also requires considering of substance over form. The requirement of substance over form implies that transactions shall be treated in accordance with their economic substance and reality, expressed in monetary terms not merely their legal form.

The fourth qualitative characteristic is **comparability**, and it means that, due to the consistency of methods, not only items included in financial statements of the same organisation from one year to another or items included in financial statements of different organisations may be compared, but also that the accounts and organisations in the accounts are consistent in methods applied both in the organisation concerned and in any other organisations.

2 Recognition of Economic Categories in Financial Statements and Books of Account

Owners contribute their equity capital together with initial assets in the form of money, property or rights when an organisation is founded. Subsequently, the equity capital is increased by new financial contributions and net profits, and in special cases by the temporary revaluation of individual assets or liabilities. Equity capital is reduced by repayments to owners or net losses. Equity capital reflects the equity financing of an organisation and is the organisation's obligation to its owners. It is also an obligation that cannot be treated as liability to third parties. In the course of its operations, however, liabilities also consistently arise in the operations of an organisation, enabling the co-financing of its assets obtained through equity.

The assets obtained by the organisation either through equity or liabilities, have the form of things, rights or money. The assets are the present economic resources that an organisation controls as a result of past events, and from which it holds rights that enable it to obtain economic benefits from them. Those flow in several ways. The organisation can:

- a) use an asset by itself or in combination with other assets in the production of goods or performance of services sold by the organisation,
- b) exchange an asset for other assets,
- c) use an asset to settle its debt, or
- d) distribute an asset among its owners.

An organisation controls an asset, if it currently has the ability to direct the use of the asset and to obtain economic benefits that may arise from it. Control includes the present ability to prevent other parties from directing the use of the asset and obtaining the economic benefits that may derive from it. An organisation has the current ability to direct the use of an asset, if it has the right to use the asset in its activities or to allow another party to use the asset in the activities of that other party.

The organisation controls many assets on the basis of right of ownership. However, the right of ownership is not essential to establish control and thus the existence of an asset. The ability of an organisation to control economic benefits is usually the result of the legally protected right, but when its assets are concerned special attention shall be paid primarily to the economic reality, not only to the legal form. In the case of leases,

for example, the essence and economic reality are that a lessee controls the right to use the leased asset in exchange for an obligation to pay for that right.

An organisation derecognises assets when it no longer controls the assets and no longer expects to derive economic benefits from it. Consequently, the term sale or other disposal of assets means any derecognition of assets that results from the cessation of control over, and the expectation of economic benefits from, the assets.

Liabilities are present obligations of the organisation to transfer the organisation's assets (economic resources) as a result of past events.

Settlement of liabilities may occur, for example, by:

- a) payment of cash,
- b) transfer of other assets,
- c) provision of services,
- d) replacement of that liability with another liability or conversion of the liability to equity.

A liability is cancelled and derecognised from books of account also when the creditor waives or forfeits its right.

Most liabilities are associated with clearly defined legal or natural persons as creditors. However, this is not necessary when establishing the existence of a liability. A provision for costs incurred in the future may likewise be considered an existing liability in conformity with other criteria used in the definition of a liability, even though the amount shall be estimated, and even though the legal or natural person to whom the liability is owed may not yet be known.

Equity capital, or owners' capital as it is often called in business finance, is the residual interest in the assets of the organisation after deducting all its liabilities. In formal terms, equity capital is classified as nominal or share capital in companies and which is, in a public limited company, stated at the lowest issue value of shares. It is supplemented by share premium above the lowest issue value of shares also contributed by organisation's owners, by other contributions to capital by owners, by retained profit and net profit for the financial year, which may also include earmarked portions as reserves and portions not yet paid to owners, by revaluation reserves and reserves arising from valuation at fair value. It is reduced by retained losses and losses for the financial year and by the acquired own shares and interests. The amount at which the equity is shown in the balance sheet depends on the measurement of assets and liabilities. It is usually only by coincidence that the total amount of equity corresponds to the total market value of the shares or the amount that could be raised by disposing of either the assets after the settlement of liabilities on a piecemeal basis or the organisation as a whole on a going concern basis.

Net profit is the difference between revenue and expenses, reduced by income tax payable and restated for deferred tax assets and liabilities. If revenue is lower than expenses, the residual amount is a net loss, increased by potential income tax payable and restated for deferred tax assets and deferred tax liabilities.

Revenue represents increases in economic benefits during the accounting period in the form of increases in assets (e.g. cash or receivables arising on a sale of goods) or decreases in liabilities (e.g. arising from the waiver of a debt payable) that result in increases in equity, other than those relating to new contributions from the owners.

Expenses are decreases in economic benefits during the accounting period in the form of decreases in assets (e.g. arising on a sale of inventories) or due to revaluation of some types of assets to their lower fair or other relevant value) or increases in liabilities (e.g. arising from accrued interest, accounting for provisions), that result in decreases in equity, other than those relating to distributions to the owners.

Under the financial concept of capital, net profit is earned only when the monetary amount of assets at the end of the accounting period, net of liabilities and after deducting all capital distributions to owners, or after

adding any new capital contributions during the accounting period, exceeds the monetary amount of assets, net of liabilities at the beginning of the accounting period. Disregarding capital distributions and new capital contributions, it is generally considered that an organisation has maintained its capital if it has as much capital at the end of the accounting period as it had at the beginning, with its purchasing power remaining unchanged. Any amount above the level necessary to maintain the capital that existed at the beginning of the accounting period, or at the time of its initial increase, is considered total comprehensive income, consisting of net profit and changes in revaluation effects. An asset is recognised in the balance sheet, and before that in the financial statements, if it is probable that future economic benefits will flow from it, and if it has a price or value that can be reliably measured. If a degree of certainty that economic benefits will flow to an item of assets after the end of the accounting period under consideration is insufficient, that item can no longer be regarded as an asset. Instead, it shall be derecognised and an expense recognised.

A liability shall be recognized in the balance sheet, and prior to that in books of account, when it is possible that the settlement of the liability will result in a decrease in the assets embodying the economic benefits and the amount required to settle the liability can be measured reliably.

Revenue shall be recognised in the income statement, and prior to that in books of account, when an increase in future economic benefits related to an increase in an asset or a decrease in a liability has arisen that can be measured reliably.

Expenses are recognised in the income statement, and prior to that in books of account, if the decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen and can be measured reliably. Expenses are recognised as costs within an item that generates revenue during the accounting period (e.g. within the costs of goods sold), as well as costs incurred in the same accounting period that are not included in the value of inventories (e.g. selling costs or general and administrative costs). Expenses shall also be recognised, if the criteria for recognising the asset are no longer met in relation to the particular item of assets. Expenses are likewise recognised when a liability arises without simultaneously increasing an asset, for example, when a debt or provision is incurred.

Receipts are increases in cash, while disbursements are their decreases. Both cash receipts and disbursements are recognised in the cash flow statement, if it is prepared on the basis of the direct method, and prior to that in books of account. They may be classified as cash receipts or cash disbursements associated with operating, financing, and investing activities. However, if the cash flow statement is prepared using the indirect method, inflows and outflows are shown as calculated categories that indicate their impacts on changes in cash.

3 The Measurement of Economic Categories in Financial Statements and Books of Account

Measurement is the determination of the monetary amounts (values) in which economic categories are recognized in financial statements, and prior to that in books of account. Different bases for measurement exist for the initial recording of individual events in books of account, as well as for the preparation of financial statements and for adjusting initial measurements in this regard.

The carrying amount of a category is the value stated in books of account as well as in financial statements. It can be defined in various ways; if value adjustments are recorded in separate adjustment (allowance) accounts or if additions or deductions from value are recorded in accounts alongside the primary account, then the carrying amount is considered to be the sum or offset value of the economic category in all accounts. For example, **the carrying amount** of an asset may be the difference between its total value recorded in one account and its written down value recorded in another account consisting of, for example, accumulated depreciation write-downs or accumulated impairment losses. For certain financial assets and financial liabilities the carrying amount may be, **the amortised cost** which is the initially recognised amount, reduced by the repayment of

principal, and increased or decreased (using the effective interest method) by the accumulated cost of the difference between the initial and the due amount, and reduced due to impairment or uncollectability.

In general terms, the following measurement bases may be employed for **assets**:

Historical cost is the amount of the assets acquired from the owners or lenders, as well as the amount of cash and cash equivalents paid or the fair value of the consideration given at the time of purchase for the organisation to acquire assets. Cost is the term used when referring to all the assets of a given class, while price is used when reference is made to a unit of quantity. Historical costs of materials, merchandise or purchased services are referred to as their *cost* and *cost of purchase* is used in reference to the when a unit of quantity is referred to; *the cost* includes, in addition to the purchase price that is to be paid to a supplier of an asset, also import duties and other non-refundable purchase taxes, and delivery and other directly attributable costs of acquisition, which means that the cost of purchase is to be distinguished from the purchase price, and the acquisition value from the purchase value. In reference to property, plant and equipment as well as intangible assets the term cost of purchase is used for a unit of quantity. With reference to semi-finished products, products and the performed services the historical costs are normally cost values that, as a general rule, include only production costs (and may include only variable production costs), and, exceptionally, may include non-production costs, but only if they are related to the bringing of inventories to their current locations and current stages of finishing. All these terms may refer either to a unit of quantity or to the entire quantity being moved or held in inventories. Given the fact that historical costs of the items entering inventories are different at different times, the closing inventory may be presented at consecutive prices or weighted average prices based on their use. When fixed prices (estimated, standard prices) are used in books of account, fixed value with variances is also used to indicate the historical cost of total relevant quantities.

Current cost is the amount of cash or cash equivalents that would have to be paid, if identical or similar assets were acquired in the present. The current cost may also be referred to as *replacement cost*; this term more clearly indicates the amount at which the same quantity or unit would be accounted for when replacing the old quantity or unit.

Recoverable amount is the higher of fair value less costs to sell or value in use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In relation to inventories, the concept of *net realisable value* also arises, which is the estimated selling price achieved in the ordinary course of business less estimated costs of completion and estimated costs related to the sale.

Present value is the discounted value of surplus of future cash receipts over future disbursements, or the discounted value of future net receipts expected to be derived from a particular asset or assets in the ordinary course of the organisation's business. The same is true of the *value in use* which is the present value of the estimated surplus of future cash receipts over future disbursements that the asset is expected to generate or incur during its further use and on its disposal at the end of its useful life. Often, the value in use cannot be identified for each individual item of assets, but only for a cash-generating unit, that is for the smallest identifiable group of assets whose use is the source of receipts, mostly independent of the cash receipts generated by other assets or classes of assets. If the replacement value refers to value in use, it also falls within the scope of present value.

The following measuring bases may be employed for **liabilities**:

Historical cost is the amount received in exchange for the liability, or in some circumstances (e.g. income taxes) the amount of cash or cash equivalents that the organisation expects to be required to pay to settle the obligations in the ordinary course of business.

Current cost is the undiscounted amount of cash or cash equivalents that would be required to settle the debts currently.

Amortised cost is the initial recognised value reduced by the repayment of principal, and increased or reduced (using the effective interest method) by the accumulated cost of the difference between the initial and the due amount.

Present value is the discounted amount of future net disbursements that are expected to be required to settle the obligations in the ordinary course of business.

The following measuring bases may be employed for **equity**:

Historical cost is the minimum issue amount of the invested capital paid in by the owners or the equity that was subsequently generated in the course of business and not yet withdrawn by the owners of the organisation.

Market value is the amount of cash or cash equivalents that could be obtained from the sale of shares at their price on a securities exchange or from the transfer of ownership, either partially or in full. This value is not considered in the books of account.

The presentation currency in which the financial statements are prepared in accordance with the SASs is the euro. If there is no published (current) reference exchange rate by the European Central Bank and (current) exchange rate by a commercial bank, the organisation shall act in such a way that for business events and balances expressed in a foreign currency, it ensures a true and fair presentation.

Therefore, in this particular situation, the organisation shall use the most current exchange rate (ratio) for each foreign currency, whichever it considers appropriate (reasonable).

4 The Revaluation of Economic Categories in Financial Statements and Books of Account

Revaluation is the change of initially stated value of economic categories as a result of changes in prices.

Prices change as the result of various specific and general economic and social developments. The specific developments, such as changes in supply and demand and technological changes, may cause individual prices to increase or decrease significantly.

Revaluation which results from the difference between the carrying amount and fair value, if the organisation applies the revaluation model or values assets at fair value, shall be carried out at the end of or during the financial year, because of

- a) increases in the carrying amount due to the revaluation or valuation of assets at fair value, or
- b) decreases in the carrying amount to fair value.

In the first case there is an increase in the expected future economic benefits flowing from the assets,

while in the second case there is a decrease in the expected future economic benefits derived from the assets, without any other changes of the assets resulting from either acquisition or disposal of the asset. In the first case, the increase in the value of the assets is accompanied by a transitional increase in the revaluation reserve or fair value reserve, or, if specified in the particular SAS, by the recognition of revenue. In the second case, the decrease in the value of the assets is accompanied by an increase in revaluation operating expenses or revaluation financial expenses, unless the same assets have previously been subject to revaluation reserves that can be reduced by a simultaneous decrease in the value of the corresponding assets, or a reduction in, or the establishment of negative, fair value reserve. The revaluation surplus or reserves arising

from fair value measurements has the character of value adjustments of the relevant economic categories recorded in the main account.

The first case, that is the increase in the carrying amount due to the revaluation to fair value, shall occur when reliable information is available that provides for an increase in the carrying amount of:

- land,
- buildings,
- investment property,
- investments.

In these cases, the carrying amounts of these items, as well as the revaluation surplus account and the relevant balance sheet item or fair value reserves, are increased, or if specified in the individual SAS, the relevant revenue is recognised. In the case of a decrease in the fair value of the same assets, however, the decrease in their carrying amount shall first be charged to the profit or loss against any previously established reserves for the asset and, if there are no or insufficient reserves, to the profit or loss of a possible revaluation surplus, unless a specified SAS permits the formation of negative provisions. An asset is impaired when its carrying amount exceeds its recoverable amount. When it is necessary to reduce the carrying amount of the asset, such reduction is an impairment loss. It equals the amount by which the carrying amount of the asset exceeds its recoverable amount. Such a loss arises in revaluation operating expenses and revaluation financial expenses, respectively, unless revaluation reserves are previously established on the same assets to allow for its settlement.

The individual general SASs deal with the details of the relevant economic categories in relation to their revaluation.

5 Changes in Accounting Estimates, Changes in Accounting Policies and Correction of Errors

A change in accounting estimate is an adjustment of the carrying amount of assets or liabilities that results from the assessment of the present status of and expected future benefits and obligations associated with assets and liabilities. It is based on new information or new developments and, accordingly, is not a correction of errors or a change in accounting policies. Estimation involves judgements based on the latest information, for example, with regard to the required impairment of receivables and inventories, the fair value of financial assets and financial liabilities, the useful lives of depreciable assets and the pattern of consumption of the future economic benefits of depreciable assets, with regard to warranty obligations and so forth. The effect of changes in accounting estimates applies to future periods, and it may affect either the period in which the accounting estimate was changed, or the future periods as well. It therefore affects either current profit or loss or profit or loss in both current and future periods.

Accounting policies are principles, bases, conventions, rules and practices applied by an organisation in preparing financial statements. If the accounting standards do not directly address the accounting treatment of a specific event or condition, an organisation shall adopt a policy that provides accounting information of high quality and a true and fair view for users. When adopting such a policy, the organisation first considers the specific accounting standards that address similar issues, as well as the Introduction to the SASs and the Framework of SASs, and then the most recent provisions of other setters of the accounting standards that provide information on professional developments (e.g. the provisions in International Financial Reporting Standards).

Accounting policies shall be changed, if required by Slovenian accounting standards or The Institute's interpretations to the SASs. In such a case, the organisation shall account for the effects in accounting policy resulting from the initial application of a standard or interpretation in accordance with the specific transitional provisions of that standard or interpretation; if no specific transitional provisions exist, the change shall be applied

retrospectively (as if it had always been applied). An organisation also may change its accounting policies on its own due to new information or new developments, so that its financial statements contain more reliable and appropriate information. In such a case, the organisation shall apply the new policy retrospectively (as if it had always been applied). When accounting policies are applied retrospectively, the comparative amounts of the category for which the accounting policy is being changed and any components of equity (usually net profit or loss) are restated for the comparative prior period presented as if the new accounting policy had been applied from the very beginning. When retrospective application (as if it had always been used) is impracticable, the organisation shall disclose this fact (together with the reasons for it, and the method for applying the new policy) and apply the new accounting policy prospectively, starting from the first period when it is practicable.

If an organisation meets the size criteria, as defined by the law governing the operation of companies, which results in a reclassification into a higher size category, it has to align its accounting policies with all relevant provisions of the SASs. In such a case, the organisation shall apply the accounting policies retroactively under the rules for changes in accounting policies. When reclassifying into a lower size category, the organisation may align its accounting policies with the provisions of the accounting standards governing exceptions for micro and small organisations and calculate the effect of accounting under the rules for changes in accounting policies.

Errors can arise in respect of the recognition, measurement, presentation and/or disclosure of items of financial statements. Errors are omissions of items and/or misstatements in financial statements for previous periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. An organisation shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery. Errors shall be corrected by restating the comparative amounts of assets, liabilities, and all affected components of equity presented in the prior period. Prior period errors shall be corrected by restatement retrospectively (as if they had never occurred in the prior period), except when this is impracticable, in which case this fact shall be disclosed. The effect of corrections of material errors from prior periods shall be corrected by retroactive calculation and corrections of errors below the materiality threshold have an effect on current profit or loss.

6 Business Combinations (mergers)

A business combination (merger) is a transaction or any other business event in which the acquirer obtains control of one or more acquirees. An acquiree is a related set of activities and assets that may be managed and operated for the purpose of providing return in the form of dividends or profit-sharing, lower costs or other economic benefits directly to the investor or to other owners or participants. The acquiree may or may not be a legal person.

An acquirer controls an acquiree, if it is exposed to a variable return from the acquiree or has rights to a variable return from its interest in the acquiree and is able to affect the return through the influence it has over the acquiree. An acquirer has influence over an acquiree if, by virtue of existing rights, it is able to direct the significant activities of the acquiree, i.e. activities that significantly affect the acquiree's return. The impact on the acquiree may arise directly and exclusively from voting rights based on equity instruments such as shares, and may be measurable by reference to the voting rights attached to those shares, or may arise from one or more contractual arrangements.

The acquirer may obtain control of the acquiree in a number of ways, for example:

- a) by transferring cash, cash equivalents or other assets (including net assets relating to the acquiree);
- b) by assuming liabilities;
- c) by issuing equity interests;

- d) by providing more than one type of consideration;
- e) without transferring the consideration, solely on the basis of a contract.

The acquirer shall account for the business combination using the acquisition method, which requires:

- a) identifying the acquirer;
- b) determining the acquisition date;
- c) recognising and measuring the identifiable assets acquired, liabilities assumed and the non-controlling interest in the acquiree; and
- d) recognising and measuring goodwill or gain from a bargain purchase.

For each business combination, one of the organisations involved in the combination shall be designated for the acquirer, namely that, which acquires control of one or more of acquirees. It shall designate the acquisition date, that is, the date on which it obtains control of the acquiree. At the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and the non-controlling interest in the acquiree. To qualify for recognition as part of the conditions for applying the acquisition method, the identifiable assets acquired and liabilities assumed shall meet the definition of assets and liabilities at the acquisition date. To qualify for recognition as part of the conditions for applying the acquisition method, the identifiable assets acquired and liabilities assumed shall be part of those assets exchanged between the acquirer and the acquiree (or its former owners) in the business combination and not the result of a separate transaction. At the acquisition date, the acquirer shall classify or determine the identifiable assets acquired and liabilities assumed in accordance with the requirements of the individual SASs. The acquirer shall measure the identifiable assets acquired and liabilities assumed at fair value at the acquisition date, except for employee benefits. Acquired non-current assets held for sale shall be recognised at fair value less selling costs. Contingent liabilities assumed in a business combination are also recognised, even if it is not probable that an outflow of resources embodying economic benefits and indemnification assets will be required to settle the obligation. For each business combination, the acquirer shall measure the non-controlling interest in the acquiree either at fair value or at the acquirer's proportionate share of the fair value of the acquiree's identifiable net assets.

The acquirer shall recognise goodwill at the acquisition date as the surplus (a) over (b):

- a) the aggregate of:
 - the consideration transferred for the acquiree, usually measured at fair value at the acquisition date,
 - the amount of the non-controlling interest in the acquiree; and
 - in a business combination achieved in stages, the fair value at the acquisition date of the acquirer's previous equity interest in the acquiree;
- b) the net amount of the identifiable assets acquired and liabilities assumed in the acquisition of the acquiree at the acquisition date

The surplus (b) over (a) shall be recognised as surplus (income) in profit or loss.

In a business combination in which the acquirer and the acquiree (or the acquiree's former owners) exchange(s) only equity interests, the fair value of the equity interests of the acquiree at the acquisition date may be more reliably measurable than the fair value of the acquirer's equity interests at the acquisition date. If so, the acquirer shall use the fair value of the equity interests in the acquiree at the acquisition date, rather than the fair value of the equity interests in the acquiree at the acquisition date, to determine the amount of goodwill. In determining goodwill in a business combination in which there is no consideration transferred, the acquirer shall use the fair value of the its equity interests in the acquiree at the acquisition date, determined using a valuation technique, and instead of the fair value of the consideration transferred at the acquisition date.

If the initial accounting for the business combination was incomplete at the end of the reporting period in which the combination occurred, the acquirer shall disclose in its financial statements provisional amounts for

the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date on the basis of new information about facts and circumstances that existed at the acquisition date that, if known, would have affected the measurement of the amounts recognised at that date. The acquirer shall also recognise additional assets or liabilities in the measurement period, if it obtains new information about facts and circumstances that existed at the acquisition date that, if known, would affect the measurement of the amounts recognised at that date. The measurement period ends as soon as the acquirer receives the information it was seeking about the facts and circumstances that existed at the acquisition date or becomes aware that no further information can be obtained. The final measurement shall be made no later than one year after the acquisition date.

The acquirer and the acquiree may have had a relationship or other arrangement before the business combination was negotiated, or may have entered into an arrangement during the negotiations that is separate from the business combination. In either case, the acquirer shall identify all amounts that are not part of those exchanged between the acquirer and the acquiree (or its former owners) in the business combination, i.e. amounts that are not part of the exchanges for the acquiree. The acquirer recognises, as part of the conditions for applying the acquisition method, only the consideration for the acquiree and the assets acquired and liabilities assumed. Separate transactions shall be accounted for in accordance with the relevant SASs. A transaction entered into by or on behalf of the acquirer primarily for the benefit of the acquirer or the combined organisation, rather than primarily for the benefit of the acquiree (or its former owners) before the combination, is likely to be a separate transaction. Examples of separate transactions that may not be part of the conditions for applying the acquisition method are:

- a) a transaction related to a pre-existing relationship between the acquirer and the acquiree;
- b) a transaction that rewards employees or former owners of the acquiree for future services;
- c) a transaction that is a reimbursement of the acquirer's payment of acquisition-related expenses given to the acquiree or its former owner.

Acquisition-related costs are costs incurred by the acquirer in completing the business combination. These costs include the finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees, and general administrative expenses; and the costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as an expense in the periods in which the costs are incurred and the services are rendered, except for the costs of issuing debt and equity securities, which shall be accounted for in accordance with SAS 3.

Organisations that qualify as micro and small companies may also account for the business combination using the carrying amount method for the assets and liabilities of the acquiree. In business combination accounted for using the carrying amounts of the assets and liabilities of the acquiree, the acquirer recognises all identifiable assets acquired at their carrying amounts at the acquisition date. The difference is accounted for in the same way as under the acquisition method, i.e. the acquirer recognises goodwill at the acquisition date as the surplus (a) over (b):

- a) the aggregate of:
 - the consideration transferred for the acquiree, usually measured at fair value at the acquisition date,
 - the amount of the acquirer's non-controlling interest in the acquiree,
 - in a business combination achieved in stages, the fair value at the acquisition date of the acquirer's previous equity interest in the acquiree;
- b) the net amount at the acquisition date of the identifiable assets acquired and liabilities assumed in the acquisition of the acquiree.

The surplus (b) over (a) shall be recognised as income (surplus) in profit or loss.

Business combinations with jointly controlled organisations are accounted for using the carrying amounts of the assets and liabilities of the acquiree. The acquirer recognises the surplus (b) over (a), as defined above, as an

increase in capital reserves and the surplus (a) over (b) as a decrease in retained earnings or an increase in the net retained loss from previous years. A business combination involving organisations under joint management is a business combination in which all the combining organisations are ultimately controlled by the one and same party or parties both before and after the business combination, and that management is not transitory.

7 Deferred Tax Assets and Liabilities

This Section applies to the accounting for deferred tax assets and deferred tax liabilities in relation to income tax. Income tax includes domestic and foreign taxes based on taxable profits. Income tax includes also taxes, such as withholding taxes, that are payable by an organisation abroad.

The accounting treatment of deferred tax assets and liabilities is the result of accounting for the current and future tax consequences of:

- a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in the organisation's balance sheet;
- b) transactions and other events of the current period recognised in the organisation's financial statements.

Micro and small companies and organisations that are not companies and are not subject to statutory audit may elect not to account for deferred tax assets and deferred tax liabilities. Other organisations are not required to account for deferred tax assets and liabilities, if the amounts of deferred tax liabilities and tax assets are individually or collectively immaterial to the organisation. If it is probable that a recovery or settlement of the carrying amount of an asset (liability) will result in a higher (lower) future tax payments than would be the case, if the recovery or settlement had no tax consequences, the organisation recognises a deferred tax liability (deferred tax asset), with certain exceptions.

An organisation accounts for deferred tax assets and deferred tax liabilities using the balance sheet liability method, which focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributable to that asset or liability in the tax account.

The tax base of an asset is the amount that is deducted in the tax account from any taxable economic benefit that flows to the organisation when it recovers the carrying amount of the asset. If the economic benefit is not taxable, the tax base of the asset equals its carrying amount.

The tax base of a liability is its carrying amount less the amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of deferred revenue, the tax base of the resulting liability is its carrying amount less the amount of income that will not be taxable in future periods.

Temporary differences may be:

- a) taxable temporary differences, i.e. temporary differences that result in amounts being added to determine taxable profit (tax loss) in future periods when the carrying amount of an asset is recovered or the carrying amount of a liability is settled; or
- b) deductible temporary differences, i.e. temporary differences that result in amounts being deducted in determining taxable profit (tax loss) in future periods when the carrying amount of the asset is recovered or the carrying amount of the liability is settled.

The consequences of taxable temporary differences are reflected in deferred tax liabilities; these are the amounts of income taxes that will be payable in future periods in respect of taxable temporary differences.

The consequences of deductible temporary differences are reflected in deferred tax assets; these are the amounts of income taxes that will be recovered in future periods in respect of:

- a) deductible temporary differences;
- b) the carryforward of unused tax losses;
- c) the carryforward of unused tax credits.

An organisation accounts for the tax consequences of transactions and other events in the same way as the transactions themselves and other events. Thus, all deferred tax assets and deferred tax liabilities associated with transactions and other events recognised in profit or loss are also recognised in profit or loss as tax expense or tax income, respectively. All deferred tax assets and deferred tax liabilities associated with transactions and other events recognised directly in equity are also recognised directly in equity (e.g. deferred tax liabilities or deferred tax assets are recognised in equity, when assets are revalued and there is no corresponding adjustment in the tax account). The recognition of deferred tax assets and deferred tax liabilities in a business combination similarly affects the amount of goodwill or the income amount (surplus) in the financial year arising in a business combination. Deferred tax recognised in profit or loss is the portion of tax expense (income) that affects net profit or loss in a certain period.

A deferred tax liability is recognised for all taxable temporary differences unless they arise from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction that:
 - is not a business combination and
 - affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction.

In the case of a business combination, temporary differences arise if the business combination has effect on the carrying amount of the identifiable assets acquired or liabilities assumed, however, it does not have any effect on their tax base, or has a different effect. For example, if the carrying amount of an asset increases to fair value, but the tax base of the asset remains the same as the tax base with the previous owner, a taxable temporary difference arises, which results in a deferred tax liability.

If, in accordance with tax regulations, the revaluation of an asset to its fair value does not affect taxable profit in the period of the revaluation and does not result in an adjustment to the tax base of the asset, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the organisation and the amount deductible for tax purposes will be different from the amount of those economic benefits. Therefore, the difference between the carrying amount of the revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or, for revaluations below the amount at which the asset was initially recognised, a deferred tax asset. This is true even if:

- a) the organisation does not intend to derecognise the asset. In such cases, the revalued amount of the asset is recovered through use, resulting in a taxable profit in excess of the depreciation allowable for tax purposes in future periods; or
- b) income tax on the sale of a fixed asset is deferred and the proceeds from the disposal of the asset are invested in similar assets. In such cases, the tax is ultimately payable on the sale or use of the similar assets.

An organisation also recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, unless both of the following conditions are met:

- a) the organisation is able to control the timing of the reversal of the temporary difference;
- b) it is probable that the temporary difference will not be reversed in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- a) is not a business combination and
- b) affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction.

It is probable that taxable profit will be available against which a deductible temporary difference can be utilised, if sufficient taxable temporary differences relating to the same taxing authority and the same taxable entity are expected to reverse in the same period as the expected reversal of deductible temporary differences.

In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary difference arises.

If there are insufficient taxable temporary differences, a deferred tax asset is recognised to the extent that it is probable that the organisation will have sufficient taxable profit in the same period as reversal of the deductible temporary difference. In assessing whether taxable profit will be available against which a deductible temporary difference can be utilised, an organisation shall take into account any limitations on the computation of future taxable profits imposed by tax regulations and shall assess the deductible temporary difference in combination with all other deductible temporary differences.

The organisation recognises also a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches, and associates and interests in joint arrangements if it is probable that:

- a) the temporary differences will be reversed in the foreseeable future and
- b) taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits to a subsequent period, if it is probable that in the future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and unused tax credits are the same as those for recognising deferred tax assets arising from deductible temporary differences. However, the existence of unused tax losses is strong evidence that future taxable profits may not be available. Therefore, an organisation that has recently incurred a loss recognises a deferred tax asset arising from unused tax losses or unused tax credits only to the extent that it has sufficient taxable temporary differences or there is persuasive evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised. In such circumstances, disclosure of the amount of the deferred tax asset and the nature of the evidence supporting such recognition is required.

In assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, an organisation considers the following criteria:

- a) whether it has sufficient taxable temporary differences relating to the same taxing authority and the same taxable entity that will result in a taxable amount available to offset unused tax losses or unused tax credits before they become due;
- b) whether it is likely to have taxable profits before the unused tax losses or unused tax credits become due;
- c) whether the unused tax losses arise from identifiable reasons that are unlikely to recur.

In the case of recurring tax losses in prior periods, it is generally assumed that there will be no future taxable profits against which deductible differences for unused tax losses and unused tax credits can be utilised. However, if the tax loss carryforward is the result of one-off losses, and the organisation already reports a taxable profit and, at the same time, expects taxable profits in the future, it shall determine the amount of future taxable profits not more than five years after the reporting date.

In the schedule of future taxable profits, an organisation shall disclose, in the following order for each year:

- a) the projected profit or loss before tax;
- b) decreases and increases in taxable profit arising from new future temporary differences in each year;
- c) increases and decreases in taxable profit in each year due to the reversal of taxable and deductible temporary differences; and

- d) the use of the remaining taxable profit to offset unused tax credits and unused tax losses from previous years.

An organisation shall not recognise a deferred tax asset for unused tax losses and tax credits that exceed of the amounts in the schedule of future taxable profits for a period of more than five years after the reporting date.

If it is not probable that taxable profit will be available to cover unused tax losses or unused tax credits, the deferred tax asset shall not be recognised.

At the end of each reporting period, the organisation shall reassess unrecognised deferred tax assets and recognise a previously unrecognised tax asset, if it is probable that future profits will allow the deferred tax asset to be covered.

Deferred tax liabilities (deferred tax assets) for the current period and prior periods are measured at the amount expected to be paid to (or recovered from) the tax authorities at the tax rates that are expected to apply in the period when the deferred tax asset is realised or the deferred tax liability is settled based on tax rates (and tax laws) enacted by the end of the financial reporting period. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences arising from the manner in which the organisation expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

When the carrying amount of deferred tax assets and deferred tax liabilities changes, for example, as a result of:

- a) a change in tax rates or tax laws;
- b) a reassessment of the recoverability of deferred tax assets;
- c) a change in the expected manner of recovery of an asset;

the resulting deferred tax shall be recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

Deferred tax assets and deferred tax liabilities shall be offset if, and only if, the organisation has a legal right to offset the current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes attributable to the same tax authority.

It is obligatory for an organisation to disclose:

- a) the total amount of newly recognised and derecognised deferred tax assets and deferred tax liabilities that affect net profit or loss;
- b) the difference in deferred tax expense (income) due to changes in tax rates or other changes in tax laws;
- c) the amount of income from deferred tax recognised from a previously unrecognised tax loss, tax credit or temporary difference from previous periods;
- d) the amount of expenses for deferred tax arising from the reversal of a previously recognised deferred tax asset;
- e) an explanation of the relationship between tax expense (income) and profit or loss before tax;
- f) the effective tax rate, which is tax expense (income) divided by profit or loss before tax;
- g) the amount (and expiry date, if any) of deductible temporary differences for unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position;
- h) the amount of unrecognised deferred taxes related to investments in subsidiaries, branches and associates, and interests in joint arrangements;
- i) the amount of deferred taxes recognised in a business combination (merger).

8 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (disposal group) are non-current assets (disposal group) whose carrying amount is reasonably expected to be settled principally through sale within the next twelve months rather than through continuing use. A disposal group represents a group of assets that will be disposed of, whether by sale or otherwise, together with the liabilities directly associated with those assets. Sometimes, the organisation disposes of a group of assets, usually in conjunction with direct liabilities, in a single transaction. Such a disposal group can be a group of cash-generating units, a single cash-generating unit or part of a cash-generating unit.

The organisation shall reclassify an asset or disposal group as non-current assets held for sale if the following conditions are met:

- a) the asset or disposal group is available for immediate sale in its current condition;
- b) the sale is highly probable (the management has approved a plan to sell, a customer is being sought);
- c) the asset is actively marketed for sale;
- d) the sale is expected to be completed within one year of the reclassification.

The asset ceases to be depreciated when it is classified as a non-current asset held for sale or included in a disposal group or when it is derecognised, whichever is earlier. Such a non-current asset or disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Immediately before the initial classification of an asset or disposal group, the carrying amount of the asset (or of all the assets and liabilities in the group) shall be measured in accordance with applicable SASs. The organisation shall recognise an impairment loss on initial or subsequent write-downs of an asset (or disposal group) to fair value less costs to sell. The organisation shall recognise a gain on a subsequent increase in fair value less costs to sell, but not in excess of the accumulated impairment loss recognised either under the preceding sentence or previously in accordance with SAS 17.

If the organisation has classified an asset (or disposal group) as held for sale, but the conditions in this section of the Framework of SASs are no longer met, the organisation shall no longer classify that asset (or disposal group) as held for sale. In such cases, the organisation shall account for the change by measuring the non-current asset (or disposal group) at the lower of the following values:

- a) the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised if the asset (or disposal group) had not been classified as held for sale; or
- b) the recoverable amount at the date of a subsequent decision not to sell or distribute the asset.

The organisation shall include any required adjustments to the carrying amount of a non-current asset that is no longer classified as held for sale in profit or loss from continuing operations in the period in which the criteria in this section are no longer met.

Discontinued operations are a component of an organisation that has been disposed of or classified as held for sale, and (a) represents a separate major line of business or area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.

In relation to discontinued operations, the organisation shall disclose:

- a) the revenue, expenses and profit or loss of the discontinued operations before tax;
- b) income taxes and deferred taxes;
- c) the gain or loss recognised on the measurement of fair value less costs to sell or on the disposal of the assets or disposal groups that comprise the discontinued operation; and
- d) net profit or loss.

9 Joint Arrangements

A joint arrangement is a contractual agreement controlled by two or more parties. Joint control is the contractually agreed sharing of control of an arrangement that exists only when decisions about activities that significantly affect the returns require the consent of the parties sharing control. A joint arrangement is never controlled by only one party. However, an arrangement may be a joint arrangement even though it is not jointly controlled by all its parties. A distinction should be made between parties with joint control of a joint arrangement and parties who participate in a joint arrangement but do not control it jointly. Parties may participate in a joint arrangement but not control it jointly where their consent is not required for decision-making.

A joint arrangement may be

- a) a joint operation or
- b) a joint venture.

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations relating to the arrangement. Those parties are called joint operators. A joint arrangement that is not structured (organised) through a separate vehicle can only be a joint operation. A separate vehicle is a separately identifiable financial structure, including separate legal entities, or organisations recognised by statute, regardless of whether these organisations have legal personality.

A joint operator shall recognise in its financial statements, in relation to its interest in a joint operation: a) assets, including its share of any assets held jointly;

- b) liabilities, including its share of any liabilities incurred jointly with other joint operators;
- c) revenue from the sale of its share of the output arising from the joint operation;
- d) its share of the revenue from the sale of the output of the joint operation; and
- e) expenses, including its share of any expenses incurred jointly with others.

A party that participates in, but does not jointly control of, a joint operation shall also account for its interest in the arrangement in accordance with the preceding paragraph, if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

A joint venture is a joint arrangement in which the parties who jointly control the arrangement have rights to the net assets of the arrangement. Those parties are referred to as joint venturers. Joint ventures are characterised by the creation of a public limited company, a limited liability company, an unlimited liability company, or some other organisation in which each joint venturer has its interest. Such an organisation operates in the same way as other organisations, except that the contractual agreement between the venturers provides for joint control of the entire economic operation of such an organisation.

A venturer recognises its interest in a joint venture as an investment. In separate financial statements, it is accounted for in accordance with SAS 3 Investments.

10 Group Organisations

A group of organisations is an economic entity, but not a legal entity, and does not have rights and obligations in its own right. In the consolidated (group) financial statements, the group is presented as if it were a single organisation. The consolidated financial statements are prepared on the basis of the separate financial statements of the consolidated organisations, with appropriate consolidation adjustments, but are not subject to posting in the books of account of the consolidated organisations.

The group comprises:

- a) a controlling / parent organisation;

- b) organisations dependent on it for a majority of their equity interests;
- c) organisations dependent on it for prevailing influence for other reasons.

A subsidiary is an organisation that is controlled by another controlling organisation.

An associate is an organisation in which the investor has a significant influence and which is neither a subsidiary nor a joint arrangement of the investor. If the investor has, directly or indirectly through subsidiary undertakings, 20% or more of the voting rights of the investee, it is presumed that it has significant influence unless it can be undoubtedly proven that such an influence does not exist. Conversely, if the organisation - investor has, directly or indirectly through subsidiaries, less than 20% of the voting rights in the investee, in which it invests, it is presumed that the organisation does not have significant influence unless such an influence can be undoubtedly proven. The existence of a significant influence by an organisation is usually evidenced in one or more of the following ways:

- a) representation on the board of directors or equivalent decision-making body of the investee;
- b) participation in decision-making;
- c) material transactions between the investor and the investee;
- d) interchange of management personnel; and/or
- e) the provision of essential professional information.

Relationships between subsidiaries, associates, and other organisations shall be presented separately in the individual separate financial statements.

The SASs do not govern the accounting rules for consolidation. Organisations that are legally required to prepare consolidated financial statements shall prepare them on the basis of International Financial Reporting Standards.

However, the accounting rules for consolidation are also governed by PAR 10 – *Consolidation*.

11 Describing Compliance with the Slovenian Accounting Standards in Financial Statements

Organisations that are required to apply the SASs are required to disclose this. Their financial statements are not described as compliant unless they comply with all the requirements of all relevant standards and all relevant interpretations. Financial statements are not in accordance with the SASs, if they contain material misstatements or immaterial errors made in order to achieve a selected representation of operations.

12 Dates of Adoption and Effective Date of Application

The Introduction to the Slovenian Accounting Standards and the Framework of SASs have been adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for the economy gave their consent to the document. Organisations with a financial year equal to the calendar year shall start applying them as at 1 January 2024, while the remaining organisations shall apply them the first financial year after that date.

Organisations shall discontinue the application of the *Introduction to the Slovenian Accounting Standards (2016)* and the *Framework of Slovenian Accounting Standards (2016)*.

Slovenian Accounting Standard 1 (2024)

PROPERTY, PLANT AND EQUIPMENT

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of land, buildings, plant and equipment and other items of property, plant and equipment (i.e. of tangible fixed assets). It deals with:

- a) the classification of property, plant and equipment;
- b) the recognition and derecognition of property, plant and equipment;
- c) the initial measurement and depreciation of property, plant and equipment;
- d) the revaluation of property, plant and equipment; and
- e) the disclosure of property, plant and equipment.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 2, 8, 14, 15, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), and the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Property, Plant and Equipment

- 1.1 An item of property, plant and equipment is an asset that the organisation owns or leases it or otherwise controls it and uses it in the production or supply of goods or services, for rental to others, except investment property, or for administrative purposes, and is expected to be used during more than one accounting period.
- 1.2 Tangible fixed assets are land, buildings, manufacturing plant and equipment, other plant and equipment, and biological assets.
- 1.3 In terms of buildings, plant and equipment, distinction shall be made between items that are being constructed or developed and items that are already ready for use.
- 1.4 Items leased out under a finance lease as such are not part of or shall not be recognised as property, plant and equipment; they shall rather be considered components of long-term financial receivables.
- 1.5 Advances paid for property, plant and equipment, which are presented in the balance sheet under property, plant and equipment, shall be recorded in books of account as receivables.

b) Recognition and Derecognition of Property, Plant and Equipment

- 1.6 An item of property, plant and equipment shall be recognised as an asset in the books of account and in the balance sheet if:
 - a) the organisation controls it and it enables organisation to obtain economic benefits associated with it

- and
- b) the cost of the item can be measured reliably.

1.7 If qualitative changes in an item of property, plant and equipment are identified under SAS 1.3, or 1.4, they shall also be presented in the books of account.

1.8 An item of property, plant and equipment shall be derecognised in the books of account and in the balance sheet on its disposal or when no future economic benefits are no longer expected from its use or disposal and when it is transferred to investment property or assets held for sale.

c) Initial Measurement of Property, Plant and Equipment

1.9 An item of property, plant and equipment that qualifies for recognition as an asset shall on initial recognition be measured at its cost.

It comprises its purchase price, including import duties and non-refundable purchase taxes, as well as costs directly attributable to its acquisition and preparation for the intended use. These include especially the cost of its delivery and installation, the cost of testing the performance of the asset, the costs of legal services, brokerage commissions, and other transaction costs, that would not have been incurred if the transaction had not been concluded, and an estimate of costs of decommissioning, removal and restoration to the extent that there is a legal or indirect obligation on the organisation to do so. The cost may also include costs incurred related to leases of assets used for the construction, extension, replacement of parts or renewals of property, plant and equipment, for example, depreciation expense of right-of-use assets. The non-refundable purchase taxes also include the non-refundable value added tax. Any trade discounts and rebates shall be deducted in arriving at the purchase price. The cost of the asset may also include borrowing costs relating to the acquisition and preparation of an item of property, plant and equipment until it is ready for use, if this takes more than one year.

An item of property, plant and equipment acquired by way of donations and government grants shall be measured at cost when acquired. If it is not known, it shall be measured at fair value plus any expenses attributable to the preparation of the asset for its intended use. Donations and government grants for the acquisition of property, plant and equipment are not deducted from their cost but are included in deferred revenue and are used in accordance with the depreciation accounted for.

1.10 If the cost of an item of property, plant and equipment is material, it may be allocated to its individual parts. If such parts have different useful lives and/or consumption pattern, relevant in relation to the total cost of the item, each part shall be treated separately.

1.11 The cost of a self-constructed or developed item of property, plant and equipment comprises the cost of construction or production of the asset and the indirect costs of its construction or production that may be allocated to it. It does not include any costs that cannot be associated with its construction or production, and the costs not recognised by the market, yet it may include the borrowing costs for the construction or production of the asset and the costs necessary to bring the asset to its working condition. The cost of such an item of property, plant and equipment may not exceed its cost under SAS 1.9.

1.12 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, whereby the monetary part is immaterial in relation to the total cost, is measured at its fair value unless:

- a) the exchange transaction lacks commercial substance; or
- b) the fair value of either the asset received or the asset given can not be measured reliably.

An exchange transaction has commercial substance if

- a) the configuration (risk, timing and amount) of cash flows of the asset received differs from the configuration of cash flows of the asset transferred; or
- b) the organisation-specific value of the portion of the organisation's operations affected by the transaction changes as a result of the exchange; and
- c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the value the organisation-specific value of the portion of the organisation's operations affected by the transaction shall reflect post-tax cash flows.

If the asset received in exchange is not measured at fair value, its cost is measured at the carrying amount of the asset given.

- 1.13 Investments in foreign-owned property, plant and equipment shall be recorded in the books of account of the investor as separately identifiable property, plant and equipment or as parts of property, plant and equipment, if the conditions set out in SAS 1.1 are met.
- 1.14 Costs incurred in connection with an item of property, plant and equipment after initial recognition of the asset increase its cost, if the conditions of SAS 1.6 are met, except as specified in SAS 1.15. When parts of property, plant and equipment are replaced, the carrying amount of the replaced parts has to be derecognised as a revaluation expense.
- 1.15 Expenses for repairs or maintenance of property, plant and equipment are incurred to restore or maintain the future economic benefits expected on the basis of the originally assessed level of performance of the assets. As such, they are usually recognised as a costs or operating expenses.

The estimated amounts of costs for regular inspections or repairs of property, plant and equipment are treated as parts of property, plant and equipment.

- 1.16 In the books of account, an item of property, plant and equipment shall be carried separately at its cost or revalued cost, while any accumulated depreciation and any accumulated impairment losses shall be recorded separately. In the balance sheet, only the carrying amount is shown, that is the amount by which the asset is presented after deducting all accumulated depreciation amounts and any accumulated impairment losses net of impairment loss reversals.
- 1.17 At the beginning of depreciation, the method of depreciating property, plant and equipment and the annual depreciation rates shall be determined.
- 1.18 The depreciation method chosen shall be applied consistently from one accounting period to the next. The depreciation method applied shall be assessed at least at the end of each financial year. If the expected pattern of future economic benefits expected to be derived from the depreciable asset changes significantly, the method of depreciation shall be changed so that it reflects the changed pattern. Such a change is treated as a change in an accounting estimate.
- 1.19 A variety of depreciation methods can be used to consistently allocate the depreciable amount of an asset on a systematic basis over its useful life, such as: the straight-line method, the diminishing balance method and the units of production method. The depreciation method applied shall reflect the expected pattern of consumption of the future economic benefits embodied in the asset. If the pattern cannot be determined reliably, the straight-line depreciation method shall be used. The residual value of the asset is usually recognised for significant items only and in such cases the costs of retirement of an item of property, plant and equipment shall also be recognised. If the costs of retirement exceed the estimated residual value of the asset, such residual value shall no longer be considered in

the depreciation. The residual value shall be reviewed at least at each financial year-end. The depreciation amount for a period is usually recognised as expenses.

Depreciation expense may be retained in the value of work in progress and products before it is recorded under operating expenses; and affect profit or loss for the period.

1.20 Depreciation expense on property, plant and equipment acquired by government grants or donations shall be accounted for separately. Amounts corresponding to the depreciation expenses accounted for shall be transferred from deferred revenue to the operating revenue of each financial year.

1.21 Depreciation of an item of property, plant and equipment begins on the first day of the following month after it has been available for use. An asset is available for use when it is in the location and condition in which it will be capable of operating in the manner intended by management.

Depreciation expense is recognised based on the consistent allocation of the depreciable amounts of property, plant and equipment over individual accounting periods in which the economic benefits flow from them.

1.22 The useful life of an item of property, plant and equipment depends on:

- a) the expected physical wear and tear;
- b) the expected technical obsolescence;
- c) the expected economic obsolescence;
- d) the expected legal, lease and other restrictions on use.

The useful life of an individual asset is considered to be the shortest period based on the individual factors listed above.

1.23 During the year, provisional depreciation expense is accounted for based on the selected interim financial reporting of the organisation. The final statement of account of depreciation is made when the financial statements are prepared for external financial reporting.

1.24 When preparing each final statement of account of depreciation, the useful lives of significant items of property, plant and equipment should be checked, the depreciation rates should be restated accordingly, if expectations differ materially from the estimates. The effect of the restatement is treated as a change in an accounting estimate.

1.25 Depreciation of property, plant and equipment leased under operating leases shall be accounted for in accordance with the provisions of SAS 1.17 to 1.24.

At the commencement of the lease term, a lessee shall recognise an item of property, plant and equipment that represents the right-of use and a lease liability.

1.26 An item of property, plant and equipment acquired under a lease is an integral part of the lessee's property, plant and equipment. Its cost includes:

- a) the amount of the initial measurement of the lease liability;
- b) the lease payments made at the commencement date, or before the commencement of the lease term, less any lease incentives received;
- c) the initial direct costs;
- d) an estimate of costs that the lessee will incur in dismantling or removing the leased asset, restoring the site at which the leased asset is located, or to restore the leased asset to the condition as required in the terms of lease, unless those costs are incurred in the production of inventories.

At the commencement of the lease term, the lessee shall measure the lease liability at the present value of the lease payments outstanding at that date. In calculating the present value of the lease, the discount rate associated with the lease is the interest rate, if determinable, otherwise the assumed borrowing rate payable by the lessee. Leases included in the measurement of lease liabilities that are not paid comprise, at the commencement of the lease term, the following payments of the right-of-use the leased asset during the lease term:

- a) fixed lease payments, less amounts receivable for lease incentives;
- b) variable rentals that are index- or rate-linked and are initially measured by the index or rate in effect at the commencement of the lease term;
- c) amounts expected to be paid by the lessee on the basis of residual value guarantees;
- d) the exercise price of a call option, if it is reasonably certain that the lessee will exercise the option;
and
- e) the payment of a lease termination penalty, if the lease term indicates that the lessee will exercise the option to terminate the lease.

At the time of contract conclusion, the organisation assesses whether the contract is a lease or contains a lease. The contract is a lease contract or contains a lease, if the right to control the use of an identified asset for a specified period is transferred with it in exchange for consideration. In doing so, the organisation accounts for each lease component in the contract as lease separately from the non-lease components of the contract, unless it decides for practical reasons, to account for all components as a single lease component. In assessing whether a particular the right-of-use an identified asset for a specified period is transferred by the contract, the organisation assesses whether the customer has in the entire period of use also:

- a) the right to obtain all significant economic benefits from the use of the identified asset; and
- b) the right to direct the use of the identified asset.

If a customer has the right to control the use of an identified asset for only part of the term of the contract, the contract contains a lease for that part of the term of the contract.

An asset is normally regarded as identified if it is explicitly specified in the contract. However, it can also be identified implicitly when the customer gains access to its use. The customer does not have the right to use identified asset if the supplier has a material right to replace the asset throughout the period of use, which means that the supplier has the actual ability to replace the alternative assets throughout the period of use and would also derive economic benefits from doing so.

The customer has the right to direct the use of the identified asset over the entire period only if:

- a) it has the right to direct, throughout the period of use, the manner in which and the purpose for which the asset is to be used; or
- b) decisions about the manner and purpose of using the asset are relevant and determined in advance;
and:
 - the customer has the right to direct throughout the period of use the asset without the supplier having the right to change the operating instructions; or
 - the customer has designed the asset so that the design predetermines the manner and purpose of use of the asset throughout the period of use.

An organisation defines the lease term as the period during which the lease cannot be terminated, together with:

- a) the period for which the lease is renewable, if it is reasonably certain that the lessee will exercise that option; and
- b) the period for which the option to terminate the lease is exercisable, if it is reasonably certain that the lessee will not exercise that option.

- 1.27 Leased property, plant and equipment is recorded separately from other property, plant and equipment of the same type.

Depreciation of leased property, plant and equipment shall be consistent with the depreciation of other similar property, plant and equipment. If there is no reasonable assurance that the lessee will acquire ownership by the end of the lease term, such property, plant and equipment shall be fully depreciated either over the term of the lease or over its useful life, whichever is shorter. The depreciation expense for leased property, plant and equipment shall be accounted for separately.

- 1.28 Property, plant and equipment that are not permanently used, although they are still useful, are measured at the lower of their carrying amount or fair value, less costs to sell.

- 1.29 The difference between the net sales value on disposal and the carrying amount of an item of property, plant and equipment disposed of is transferred to revaluation operating revenue if the net sales value on disposal is higher than the carrying amount, or to revaluation operating expenses, if the carrying amount is higher than the net sales value at the time of disposal.

Disposal of an individual item of property, plant and equipment is possible in a number of ways (e.g. by sale, finance lease or donation). The date of disposal of an individual item of property, plant and equipment is the date when the recipient obtains the right to control that asset in accordance with the requirements of SAS 15 for determining when a performance obligation has been met.

- 1.30 For measuring after recognition of an item of property, plant and equipment the organisation shall choose either the cost model or the revaluation model as its accounting policy. The organisation shall apply the chosen policy to the entire class of property, plant and equipment. The revaluation model may be chosen only for the revaluation of land and buildings.

Under the cost model, an item of property, plant and equipment shall be stated at cost less accumulated depreciation and the accumulated impairment loss and increased by any reversal of impairment losses as well as adjusted for the remeasurement of the lease liability in (c) in the next paragraph.

After the commencement of the lease term, the lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect the interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount, which shall reflect the re-estimates or changes in the lease or changes in the substance of fixed lease payments. The lessee shall remeasure the lease liability by discounting the modified lease payments using the modified discount rate, if the lease term has changed or the assessment of the lease asset's purchase option has changed. In this case the lessee shall determine the changed discount rate as the interest rate adopted in the lease for the remainder of the lease term. The lessee remeasures the lease liability by discounting the changed lease payments, if the amounts expected to be paid under a residual value guarantee or if future lease payments change due to a modification in an index or rate. The lessee applies the unchanged discount rate unless the change in the lease payments is due to a change in variable interest rates.

A lessee shall account for a change in lease as a separate lease, if the modification increases the scope of the lease by adding the right to use one or more assets, and if the lease consideration increases by an amount proportional to the stand-alone price of the increase in scope and appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. In the case of a modification to a lease that is not accounted for as a separate lease, the lessee shall account for the remeasurement of the lease liability by reducing the carrying amount of the asset representing the right-of-use by lease modifications that reduce the scope of the lease, so that it reflects a partial or complete termination of the lease. Such termination shall be recognised in the income statement, and

the value of the asset representing the right-of-use is adjusted in accordance with any other changes in the lease.

d) Revaluation of Property, Plant and Equipment

1.31 The revaluation of property, plant and equipment is an adjustment to their carrying amount due to the application of the revaluation model, and a decrease in their carrying amount due to impairment, or an increase in their carrying amount due to the reversal of impairment.

1.32 After recognition, an item of property, plant and equipment whose fair value can be measured reliably and for which the organisation has chosen the revaluation model for subsequent measurement, in accordance with SAS 1.30, shall be carried at its revalued amount, being its fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations shall be performed with sufficient regularity to ensure that the carrying amount does not differ materially from the amount that would be determined using fair value at the balance sheet date.

1.33 Fair value shall be determined in accordance with SAS 16 – *Identification and Measurement of Fair Value*.

1.34 When an item of property, plant and equipment is revalued using the revaluation model, on the date of revaluation, the accumulated depreciation shall be eliminated against cost or revalued cost of the asset. The carrying amount is then revalued to the new fair value, which becomes the new revalued value used as a basis for the depreciation.

The amount of the restatement related to the elimination of accumulated depreciation and revaluation to a new fair value increases or decreases the carrying amount.

1.35 If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

If the assets that represent the right-of-use are associated with the class of property, plant and equipment for which the lessee uses the revaluation model, the lessee may elect to use that revaluation model to all right-of-use assets that are associated with that class of property, plant and equipment.

1.36 If an asset's carrying amount is increased as a result of revaluation, the increase shall be recognised directly in equity as revaluation surplus. However, the increase arising from revaluation shall be recognised under revaluation operating revenue, if an impairment loss on the same asset is reversed that was previously recognised under revaluation operating expenses.

1.37 If an asset's carrying amount is decreased as a result of revaluation, the decrease to the amount available shall first debit the revaluation surplus and the difference shall be recognised under revaluation operating expense.

1.38 The revaluation surplus is derecognised and transferred in retained earnings when the revalued item of property, plant and equipment is derecognised. No part of the revaluation surplus may be distributed either directly or indirectly, unless it represents an actual gain; that is, the difference between the net sales value from the disposal of the property, plant and equipment and the carrying amount of an item of property, plant and equipment.

1.39 An item of property, plant and equipment shall be revalued due to impairment, if its carrying amount exceeds its recoverable amount. The recoverable amount is considered the higher of fair value less

costs to sell and value in use. If the fair value cannot be measured reliably, the value in use shall be considered the recoverable amount. Estimating the value in use includes:

- a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
- b) applying the appropriate discount rate to those future cash flows.

The value in use is generally determined for a cash-generating unit, i.e. the smallest identifiable group of assets whose continuing use is a source of cash receipts, mainly independent of cash receipts from other assets or groups of assets.

Only if the recoverable amount of an item of property, plant and equipment is less than its carrying amount, its carrying amount is reduced to its recoverable amount. Such a reduction is an impairment loss. The impairment loss on an item of property, plant and equipment measured using the cost model is recognised in profit or loss.

An impairment loss on depreciable assets is not a depreciation expense, but a revaluation operating expense relating to depreciable assets.

- 1.40 Impairment losses recognised in respect of an item of property, plant and equipment in the previous periods shall be reversed if, and only if, the estimate used to determine the recoverable amount of an item of property, plant and equipment has changed when the last impairment loss was recognised. In such a case, the carrying amount of the asset shall be increased to its recoverable amount. Such an increase is a reversal of the impairment loss. In reversing an impairment loss on an item of property, plant and equipment, the increased carrying amount shall not exceed the carrying amount that would have been determined (after deducting any accumulated depreciation), if no impairment loss had not been recognised in the previous years, unless such an increase is the result of revaluation. A reversal of an impairment loss of an item of property, plant and equipment measured using the cost model shall be recognised under revaluation operating revenue.

More detailed rules on impairment of property, plant and equipment are set out in the *SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets*.

e) Disclosure of Property, Plant and Equipment

- 1.41 Organisations that are not subject to audit are required to disclose only the information and data required by law and other organisations shall meet also the requirements for disclosure in line with this Standard. These disclosures are prescribed for all material matters. The nature and level of materiality shall be defined by the organisation in its internal rules.
- 1.42 The following disclosures are required for each category of property, plant and equipment:
- a) the bases for measurement used in determining the revalued cost;
 - b) the cost or revalued cost, accumulated depreciation and accumulated impairment loss at the beginning and end of the accounting period;
 - c) changes in carrying amount from the beginning to the end of the accounting period (due to acquisitions, reclassifications, disposals, depreciation, amortisation, revaluations);
 - d) the initial recognised amount of an item of property, plant and equipment acquired with government grant;
 - e) the amount of obligations to acquire an item of property, plant and equipment.
- 1.43 For each major group of depreciable assets, the following is disclosed:
- a) the bases for valuation used in determining the amounts presenting depreciable assets;

- b) the depreciation methods used;
 - c) the useful lives or depreciation rates used;
 - d) the gross amount of the depreciable assets and their related accumulated depreciation.
- 1.44 When impairment losses are recognised or impairment losses are reversed the reasons for, and effects of the impairment or reversal of impairment shall be disclosed. For property, plant and equipment acquired under lease, in addition to the stated disclosures, the following disclosures shall be also made:
- a) the depreciation expense by type of the asset leased;
 - b) the interest cost of the lease liability;
 - c) the costs associated with short-term leases and leases of low-value assets;
 - d) the income from subleases of assets;
 - e) the total cash flow for leases;
 - f) gains and losses from sales transactions and leaseback transactions.

Assets acquired through leases are disclosed separately in the notes to the financial statements.

C Key Definitions

- 1.45 This Standard uses some terms which need to be explained in order to define the key concepts.
- a) **Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at its acquisition or construction or, where applicable, the amount attributed to the asset on initial recognition.
 - b) **Revalued cost** is the cost adjusted due to revaluation of an item of property, plant and equipment measured under the revaluation model.
 - c) **Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated revaluation.
 - d) **Recoverable amount** of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
 - e) **Useful life** is the period over which an asset is expected to be available for use by an organisation; or the period over which the number of production or similar units expected to be obtained from the asset by an organisation.
 - f) **Amortisation (depreciation)** is the systematic allocation of the amortisable / depreciable amount of an asset into amounts by which the value is gradually reduced over its useful life and which represents costs. **Depreciation** is the amount that leaves a depreciable asset during an accounting period and is the cost at that time.
 - g) **Amortisable or depreciable assets** are assets which:
 - a) are used during a period exceeding one financial year;
 - b) have a limited useful life; and
 - c) are intended for use in the production or supply of goods and services, are leased to others against payment, or for other reasons.
 - h) **Depreciable or amortisable amount** is the cost of an asset adjusted for revaluation, less its estimated residual value.

- i) **Depreciation or amortisation base** is equal to the depreciable/amortizable amount, when the straight-line method of depreciation/amortisation is used; when the diminishing balance method is used it may be equal to the current carrying amount of the asset, reduced by the estimated residual value.
- j) **Depreciation or amortisation rate** in the straight-line method is the ratio between the amounts transferred to products and services in individual years and the depreciation/amortisation base; when the diminishing balance method is used it may also be the ratio between the residual and the total useful life of an asset.
- k) **Life-time depreciation/amortisation** is a depreciation/amortisation method based on the useful life of an asset.
- l) **The unit of production method (usage or functional depreciation)** is one of the depreciation/amortisation methods in which the amount of depreciation/amortisation charge is based on the expected use or output of an asset.

Economic life is either a period over which an asset is expected to be economically usable by one or more users, or the number of production or similar units expected to be obtained from the asset by one or more users.

The residual value of an asset is the estimated amount that an organisation would currently obtain from disposal of the asset, after deducting the expected costs of disposal, if the age and condition of the asset already indicated the end of its useful life.

- m) **Costs of disposal** are costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. These are, for example, costs of sales comprising in particular, any legal costs, duties, costs of removing the asset and direct incremental costs associated with the preparation of the asset for sale.
- n) **An impairment loss** is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.
- o) **Finance lease** is a lease that transfers to the lessee substantially all material risks and benefits associated with the ownership of a leased item of property, plant and equipment. Title may or may not eventually be transferred. As a rule, such lease may not be cancelled unilaterally. Finance lease provides the lessor with recovery of its investment in the lease and also profit.
- p) **Total lease payments** mean the amount paid or payable by the lessee over the lease term, less costs for services and taxes to be paid by the lessor and reimbursed to the lessee, together with any amounts guaranteed by the lessee, a party related to the lessee or any other independent party.

The interest rate implicit in the lease is the discount rate that, at the commencement of the lease term, generates the present value of the sum of the lease payments and unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

- q) **The incremental borrowing rate** is the rate of interest that the lessee would have to pay for a similar lease. If that cannot be determined, it is the interest rate that the lessee would have to pay to borrow at the commencement of the lease term, for a similar period and with a similar security, the funds necessary to purchase the asset.

- r) **Lease incentives** are payments made by a lessor to a lessee associated with the lease, or the reimbursement, or assumption of the lessee's costs by the lessor.
- s) **Sublease** is a transaction in which the lessee re-leases the leased asset to a third party.
- t) **Borrowing costs** are interest and other costs incurred by an organisation in connection with borrowing funds to acquire and bring an item of property, plant and equipment to its working condition as well as interest related to leases liabilities. These are the costs that could have been avoided, if the expenses on the qualifying asset had not been incurred. They are determined in the amount of actual costs for funds, borrowed specifically for the purpose of obtaining a qualifying asset, reduced by any investment income related to temporary investment of those funds, or using a criterion to allocate the costs of general borrowings. The costs of general borrowings are included in cost of a qualifying asset at an interest rate calculated as a weighted average of the interest rates for all borrowings, that are outstanding during the period, except for borrowings, borrowed specifically for the purpose of obtaining qualifying assets, until such assets are ready for their intended use. The inclusion of borrowing costs in cost of a qualifying asset is suspended for prolonged interruptions in the process of their creation or preparation for use and restarted when the activities resume. The organisation does not begin to allocate borrowing costs to the cost of a qualifying asset until all of the following conditions are met:
 - a) the organisation incurs expenditures for the asset;
 - b) the organisation incurs borrowing costs; and
 - c) the organisation undertakes activities that are necessary to prepare the asset for its intended use.

An organisation shall cease capitalising borrowing costs when the activities necessary for the qualifying asset to be ready for its intended use are completed.

- u) **Agricultural activity** is the regulation of the biological transformation of living animals or plants (biological assets) in an organisation into saleable assets, agricultural crops or additional biological assets. Agricultural activity comprises various types of activities, for example, livestock farming, forestry, harvesting of annual or perennial crops, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Land related to with agricultural activity is treated in the same way as other land.

D Clarifications

- 1.46 An item of property, plant and equipment whose individual cost of purchase as per supplier's invoice does not exceed EUR 500 may be carried and recognised as a group of low-value assets. Low-value assets whose individual cost of purchase as per supplier's invoice does not exceed EURO 500 may be classified as materials.
- 1.47 Items such as spare parts, replacement equipment and maintenance equipment are recognised in accordance with this SAS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventories. Spare parts used in multiple items of property, plant and equipment are depreciated irrespective of when they are put into service, while for spare parts used only for a single item of property, plant and equipment depreciation starts with the date of them being put into service.
- 1.48 The cost of property, plant and equipment also comprises an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an

organisation incurs when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than the production of inventories. The costs of dismantling, removing and restoring the site on which the asset was located that are incurred as a result of using the asset to produce inventories increase the cost of inventories.

The cost of an item of property, plant and equipment is increased also by the costs of testing the performance of asset, (e.g. assessing whether the technical and physical performance of the asset is such that it can be used for its intended purpose). Products may be produced before the asset is prepared for its intended use (such as samples produced in testing whether the asset functions properly). An organisation recognises the revenue from the sale of such products and the costs of those products in profit or loss.

- 1.49 If a newly acquired and recognised building that is part of property, plant and equipment is removed due to the construction of a new building that will form part of property, plant and equipment, the carrying amount of the existing building shall be the costs of site preparation included in the cost of the new building.
- 1.50 The cost of business premises forming part of a building (condominium) and acquired on the basis of a construction contract, a sale and purchase agreement or another legal basis, includes the cost of the title to co-ownership of the functional land of the building, which is intended for the direct use of the building and without which a building is not usable for its intended purpose. An ideal share of the functional land, belonging to the owner of a part of the building, cannot be the subject of a legal transaction in its own right, since its disposal is linked to the business premises. Therefore, this share cannot be recognised as a separate item of property, plant and equipment, but its value is included in the cost of the premises or the proportionate share of the building. In such a case, the residual value of the acquired premises (share of the building) shall be determined as at least the amount calculated on the basis of information on the price of the building land and the percentage of the area or value of the acquired premises in relation to the total area or value of the building in which the premises are located.
- 1.51 Land and buildings are separable assets and are treated separately, even if they are acquired together. With the exception of some land, such as quarries and landfill sites, land has an unlimited useful life and is therefore not depreciated. Costs of land improvements are treated separately and depreciated over the period of their benefits. If the cost of the asset includes the costs of site dismantling, removal and restoration of the site on which the asset is located, their portion in the cost of the asset is depreciated over the period of acquiring benefits from incurring these costs.
- 1.52 Depreciation is accounted for separately, but may be accounted for jointly for low-value assets of the same type or similar purpose.
- 1.53 Depreciation of components of property, plant and equipment is accounted for separately. The components of property, plant and equipment can be grouped for the purpose of depreciation. The remaining part of the asset, consisting of components that are not significant on their own, is also depreciated separately.
- 1.54 Depreciation shall be accounted for even if the asset is no longer used or is retired from use, until it is fully depreciated. Under the unit-of-production method (functional depreciation), the amount of depreciation can be zero, because there is no production.
- 1.55 Accumulated depreciation does not occur for:
 - a) land and other natural resources;
 - b) property, plant and equipment until the depreciation begins;
 - c) property, plant and equipment of cultural, historic or artistic significance;

- d) the substructure of railway tracks, roads, airports and similar; and
- e) other property, plant and equipment whose use is not limited in time.

1.56 If the carrying amount of an asset will be assured primarily through sale rather than through continuing use, such asset shall be classified as a non-current asset held for sale.

1.57 Notwithstanding the provisions of SAS 1.30, a biological asset that is an item of property, plant and equipment and is used in an agricultural activity in accordance with SAS 1.1 shall be measured at fair value, less costs to sell when, at the date of initial recognition, the fair value of that biological asset can be measured reliably.

A biological asset that is physically attached to land (e.g. a tree in a forest plantation) is measured at cost separately from the land.

If an active market exists for the biological asset in its present location and condition, the quoted price in such a market is an appropriate basis for determining the fair value of such an asset. If an organisation has access to different active markets, it uses the price in the market that it expects to use.

If no active market exists, the organisation shall use the following to determine fair value:

- a) the last existing transaction price in the market, if there has been no significant change in economic circumstances between the date of that transaction and the end of the reporting period; and/or
- b) the market price(s) of similar assets, with adjustments reflecting differences, if available.

Contractual prices for sales at a future date are not appropriate for determining fair value, because fair value shall reflect the current market in which a willing buyer and a willing seller enter into an arm's length transaction.

A gain or loss arising from a change in the fair value of a biological asset shall be recognised in profit or loss through operating revenue and expenses.

When the fair value of a biological asset cannot be measured reliably at the date of initial recognition, because of the unavailability of market prices, the biological asset shall be measured at cost less accumulated depreciation and accumulated impairment losses. If the fair value can be subsequently measured reliably, the biological asset shall be measured at fair value less costs to sell.

1.58 A finance lease is normally a lease if one of the following conditions is met:

- a) at the end of the lease, the ownership of the asset is transferred to the lessee; this condition is considered to be met, if this is clear from the lease agreement;
- b) the lessee has an option to purchase the asset at a price that is expected to be substantially less than the fair value at the date this option becomes exercisable, and at the inception of the lease it is reasonably certain that the lessee will exercise this option;
- c) the lease term matches the major part of the economic life of the asset, with or without transfer of ownership at the end;
- d) at the inception of the lease term, the present value of lease payments is substantially equal to the fair value of the leased asset;
- e) the leased assets are of such a special nature that only the lessee can use them without any major modifications.

1.59 Indications of circumstances which, individually or in combination, lead to a lease being classified as a finance lease are also:

- a) if the lessee can terminate the lease, the lessor's losses due to the termination shall be borne by the lessee;

- b) gains or losses from the changes in the fair value of the residual accrue to the lessee; and
- c) the lessee has the ability to continue the lease for a subsequent period at a rent that is substantially lower than the market rent.

1.60 All leases that are not finance leases are operating leases. Leases of property (mainly land and buildings in particular) are classified as operating or finance leases in the same way as leases of other assets.

1.61 A lessee may elect not to recognise short-term leases and leases for which the underlying asset is of low value as an asset, but to recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis. The lessee shall use another systematic basis, if it better reflects the pattern of the lessee's benefits. A short-term lease is a lease with a lease term of up to one year. A low-value lease is a lease with a value of up to EUR 10,000, taking into account the value of the new asset being leased.

A lessee organisation that is a micro or small organisation under the provisions of the Companies Act or a lessee organisation established under other legislation that is the same size as a micro or small organisation, may elect not to recognise operating leases as assets but to recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis that best reflects the pattern of the lessee's benefit. An organisation that no longer qualifies for the exemption relating to the recognition of a right to use an asset may apply the simplified option that was in effect at the date of initial application of the 2019 changes to lease accounting for initial recognition.

An organisation, a public utility company that accounts for under SAS 32 (2024) *Accounting Solutions for Public Utility Companies* does not recognise operating leases of fixed assets of the economic infrastructure to carry out the its public service activities as assets, but recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis that best reflects the pattern of the lessee's benefit.

1.62 Items of property, plant and equipment may be acquired to ensure safety or to protect the environment. Such acquisitions do not directly increase the future economic benefits of any particular item of existing property, plant and equipment, but may be necessary for the organisation to obtain the future economic benefits from its other assets. Such items of property, plant and equipment shall be recognised as assets, because they enable future economic benefits from related assets in excess of what could be derived had those items not been acquired.. Such items of property, plant and equipment shall also be revalued due to impairment, if their carrying amount exceeds their recoverable amount.

1.63 Property constructed or developed for future use as investment property shall be treated as investment property in the course of construction.

An item of property, plant and equipment which is held for rental to others and qualifies as investment property shall be treated in accordance with SAS 6.

1.64 Biological assets used in agricultural activity and recorded under property, plant and equipment when the conditions of SAS 1.1 are met, are mainly perennial plantations (excluding the value of land related to them), animals used for work, animals for breeding or reproduction, animals reared for acquiring agricultural products (e.g. milk, wool, honey and eggs).

Perennial plantations are considered to have a fair value at the date of initial recognition that is generally not reliably measurable due to the unavailability of market prices. Therefore, perennial plantations are measured using the cost model.

- 1.65 A loss may arise on initial recognition of a biological asset measured at fair value, as the cost to sell are deducted from the fair value of the biological asset. However, a gain may also arise on initial recognition of a biological asset, for example, when a calf is born.
- 1.66 The initial application of the revaluation policy for assets under *SAS 1 Property, Plant and Equipment* is a change in accounting policy, which is treated as a revaluation under SAS 1 rather than under section 5 of the Framework of SASs.

E Date of Adoption and Effective Date

- 1.67 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply *SAS 1 – Property, Plant and Equipment (2016)*.

Slovenian Accounting Standard 2 (2024)

INTANGIBLE ASSETS

A Introduction

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 1 – the classification of intangible assets;
- b) the recognition and derecognition of intangible assets;
- c) the initial measurement of intangible assets;
- d) the revaluation of intangible assets; and
- e) the disclosure of intangible assets.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 1, 14, 15, 17, 21, and 22.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Intangible Assets

- 2.1 An intangible asset is an identifiable non-monetary asset, usually without physical substance. It normally appears as an intangible long-term asset.
- 2.2 Intangible assets comprise deferred development costs, investments in the acquired industrial property, and other rights and in the goodwill of the acquiree.
- 2.3 Investments in acquired long-term industrial property rights (concessions, patents, licences, brands and similar rights) generate future economic benefits.
- 2.4 Intangible assets shall be classified as intangible assets with finite useful lives and intangible assets with indefinite useful lives.
- 2.5 Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired during the acquisition of another organisation (acquiree) that are not individually identifiable and separately recognised. Future economic benefits may arise from the synergy between the acquired identifiable assets or assets that are not individually recognised in the financial statements. At the acquisition date, an organisation recognises an intangible asset of the acquiree separately from goodwill, regardless of whether the acquired organisation (acquiree) recognised the asset before the business combination.
- 2.6 Advances paid for intangible assets, which are presented in the balance sheet in association with intangible assets, shall be recorded as receivables in the books of account.

b) Recognition and Derecognition of Intangible Assets

- 2.7 An intangible asset, other than goodwill, meets the identifiability criterion under SAS 2.1, if it:
- is separable, i.e. is capable of being separated or divided from the organisation and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
 - arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the organisation or from other rights and obligations.
- 2.8 An intangible asset shall be recognised in the books of account and in the balance sheet if:
- the organisation controls it and it enables organisation to obtain the economic benefits associated with it;
 - the cost of the asset can be measured reliably.
- 2.9 The probability of future economic benefits associated with an intangible asset shall be assessed using justified and supported assumptions, representing management's best estimate of the economic conditions during the asset's useful life.
- 2.10 The costs of research incurred within the organisation shall not be recognised as an intangible asset but are instead immediately treated as costs or expenses in the accounting period in which they arise. Start-up costs cannot be capitalised.
- 2.11 Development costs incurred by an organisation shall be recognised as intangible asset if the organisation can demonstrate all of the following:
- the technical feasibility of completing the project so that it will be available for use or sale;
 - its intention to complete the project and to use or sell it;
 - its ability to use or sell the project;
 - the probability of economic benefits from the project, including the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project;
 - the availability of technical, financial, and other resources to complete the development and to use or sell the project; and
 - its ability to reliably measure the expenditure attributable to the intangible asset during its development.
- 2.12 Internally generated brands, colophons, mastheads, publication titles, customer lists and items similar in substance shall not be recognised as intangible assets.
- An organisation often uses assets or assumes obligations related to acquiring, developing, maintaining or enhancing intangible factors such as scientific and technical knowledge, the design and implementation of new processes, and similar activities. However, these items do not necessarily meet the definition of an intangible asset, which requires identifiability, control of the asset, and the existence of future economic benefits. If an item does not meet the definition of an intangible asset, the organisation recognises the costs of its acquiring as an expense when incurred.
- 2.13 Internally generated goodwill shall not be recognised as an intangible asset.
- 2.14 The recognition of an intangible asset shall be reversed and eliminated from the books of account and from the balance sheet on disposal or when no future economic benefits are expected from its use and subsequent disposal.

c) Initial Measurement of Intangible Assets

2.15 An intangible asset that qualifies for recognition shall on initial recognition be measured at cost. In addition to its purchase price, the cost of an intangible asset comprises import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable costs necessary to prepare the asset for its intended use. The cost also includes borrowing costs relating to the acquisition and preparation of the intangible asset up to the point it is ready for use, provided the preparation takes longer than one year.

At the commencement of the lease term, a lessee may recognise an intangible asset representing a right to use and a lease liability. For the initial measurement of the right to use intangible asset and the lease liability, SAS 1.26 is taken into account.

2.16 The acquirer shall recognise goodwill as the excess of (a) over (b), where:

- a) the aggregate of:
 - the consideration transferred for the acquiree, usually measured at fair value at the acquisition date,
 - the amount of the non-controlling interest in the acquiree,
 - in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree at the acquisition date;
- b) the net amount of the identifiable assets acquired and liabilities assumed in the acquisition of the acquiree.

2.17 The cost of an intangible asset acquired in exchange of the acquired intangible asset for another non-monetary asset or a combination of monetary and non-monetary assets, where the monetary portion is insignificant in relation to the total cost, is measured at its fair value unless:

- a) the exchange transaction lacks commercial substance; or
- b) the fair value of neither the asset received nor the asset given can be reliably measured.

If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given.

An intangible asset acquired through government grant or a donation shall be recognised at cost at its acquisition, or if the cost is unknown, at its fair value increased by any expenses directly attributable to preparing the asset for its intended use. Donations and government grants for the acquisition of intangible fixed assets are not deducted from their cost but are included in deferred revenue and used in accordance with the amortisation accounted for.

2.18 The cost of an internally generated intangible asset comprises the costs incurred by its construction or production, and the indirect costs attributable to its construction or production. The cost of an intangible asset does not include any costs that are not associated with its construction or production, and the costs that the market does not recognise, but it may comprise borrowing costs in connection with its construction and production until the intangible asset is created.

2.19 In the books of account, an intangible asset shall be presented separately at its cost, accumulated amortisation and accumulated impairment losses. In the balance sheet, only the carrying amount of intangible assets is disclosed, which is the amount at which the asset is recognised after deducting any accumulated amortisation and any accumulated impairment losses and adding any increases due to reversals of impairment.

For intangible assets acquired under lease, the cost also includes an allowance for remeasurement of the lease liability in the manner specified in SAS 1.30 c).

- 2.20 The carrying amount of an intangible asset with a finite useful life is decreased through amortisation. Amortisation shall begin on the first day of the month following the date when the intangible asset with a finite useful life becomes available for use. The amortisable amount of an intangible asset with a finite useful life shall be reasonably allocated over its best-estimated useful life. An intangible asset with a finite useful life shall be amortised over its useful life.
- 2.21 If the control over the future economic benefits of an intangible asset with a finite useful life is achieved through a right granted for a finite period, the useful life of such an asset cannot exceed the period of that legal right, unless:
- a) the legal right is renewable; and
 - b) renewal is virtually certain.
- 2.22 The amortisation method used shall reflect the pattern of economic benefits expected to be derived from the intangible asset with a finite useful life. If the pattern cannot be determined reliably, the straight-line method of amortisation shall be used. Amortisation expense for each accounting period shall be recognised as an operating expense of that period.
- 2.23 The amortisation period and the amortisation method shall be reviewed at least at the end of each financial year. If the expected useful life of an intangible asset with a finite useful life significantly differs from the previous estimate, the amortisation period shall be changed accordingly. If the expected pattern of economic benefits from the asset changes significantly, the amortisation method shall be changed accordingly. Such changes shall be accounted for as changes in accounting estimates. They affect the amortisation expense for the current and future accounting periods.
- 2.24 The residual value of an intangible asset shall be reviewed at least at the end of each financial year. There is no residual value of an intangible asset with a finite useful life unless:
- a) there is an obligation from another third party to purchase the asset at the end its useful life; or
 - b) there is an active market for the asset, and its residual value can be determined based on this market, and it is probable that the market will still exist at the end of the asset's useful life.
- 2.25 An intangible asset with an indefinite useful live shall not be amortised, but rather revalued due to impairment.

Goodwill is considered an intangible asset with a finite useful life. When the useful life of goodwill cannot be estimated reliably, it is amortised on a straight-line basis over five years.

- 2.26 The difference between the net disposal proceeds and the carrying amount of the disposed of intangible asset shall be allocated to revaluation operating revenue, if the net disposal proceeds exceed the carrying amount, or to the revaluation operating expenses, if the carrying amount exceeds the net disposal proceeds. An intangible asset may be disposed of in a number of ways (e.g. through sale, finance lease, or donation).

d) Revaluation of Intangible Assets

- 2.27 Revaluation of intangible assets is a decrease in their carrying amount due to impairment or an increase in their carrying amount due to reversal of impairment. Intangible assets are not revalued due to the application of revaluation model.
- 2.28 The carrying amount of intangible assets shall be decreased, if it exceeds their recoverable amount.

2.29 An organisation is required to test whether an intangible asset with an indefinite useful life, or an intangible asset that is not yet in use, is impaired by comparing its carrying amount with its recoverable amount at the date of preparation of the financial statements.

The organisation shall annually review any potential impairment for goodwill.

2.30 Any impairment loss recognised for goodwill shall not be reversed in subsequent periods.

2.31 Other rules for impairment of intangible assets are governed by SAS 17 *Impairment of Property, Plant and Equipment and Intangible Assets*.

e) Disclosure of Intangible Assets

2.32 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

2.33 An organisation shall disclose the following for each group of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

- a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
- b) the amortisation methods used for intangible assets with finite useful lives;
- c) the cost and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and at the end of the period;
- d) a reconciliation of the carrying amount at the beginning and at the end of the period.

2.34 The financial statements shall disclose:

- a) the carrying amount and the remaining amortisation period of any individual intangible asset that is material to the financial statements of the organisation as a whole;
- b) the initially recognised value of the intangible asset acquired by way of a government grant;
- c) the existence and carrying amounts of the intangible asset subject to limited ownership rights, and the carrying amount of the intangible assets pledged as security for liabilities; and
- d) the amount of obligations for the acquisition of an intangible asset.

2.35 The organisation shall disclose information from points a) to d) for each cash-generating unit, where the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is material in comparison with the total carrying amount of goodwill or intangible assets with indefinite useful lives:

- a) the carrying amount of goodwill allocated to cash-generating units;
- b) the carrying amount of intangible assets with indefinite useful lives allocated to cash-generating units;
- c) the basis on which the recoverable amount of the cash-generating unit was determined, i.e. value in use or fair value less costs to sell;
- d) if the recoverable amount of the cash-generating unit is based on value in use:
 - a description of each key assumption on which management has based its cash flow projections for the period included in the most recent estimates /forecasts, when calculating the recoverable amount of the cash-generating unit;
 - a description of the method used by management when determining the value(s) attributed to each key assumption, whether these values reflect past experience or, where applicable, are consistent with external sources of information, and if not, how and why they differ from past experience or external sources of information;

- the period over which management has projected cash flows based on accounting estimates/forecasts it has approved and for periods exceeding five years, an explanation for each cash-generating unit, an explanation of why a longer period is justified;
 - the growth rate used to extrapolate cash flow projections beyond the period included in the most recent estimates/forecasts, and the rationale for using a growth rate that exceeds the long-term average growth rate for the products, industry, country or countries where the organisation operates or the markets for which the cash-generating unit is intended for;
 - the discount rates used in these cash flow projections;
- e) if the recoverable amount of the unit is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell.

For the disclosure of intangible assets acquired through leases SAS 1.44 may be applied, as appropriate.

C Key Definitions

2.36 This Standard uses some terms which need to be explained in order to define the key concepts.

- a) **Intangible assets** are normally long-term assets that contribute to the development of business capabilities. Intangible assets may also be assets received and held by a lessee under a lease agreement, except for items such as films, video recordings, plays, manuscripts, patents, and copyrights.
- b) **Research costs** are the costs of original and planned research undertaken in the hope that they will lead to new scientific or technical knowledge and understanding.
- c) **Development costs** are the costs of transferring research findings or knowledge to a plan or project to produce new or substantially improved products or services before they are produced or rendered for sale.
- d) **A concession** is an approval or a power given by a government to use a natural resource or to carry out a public service. Accounting for concessions is based on the cost of concession.
- e) **A patent** is a right based on an invention; as a rule, the owner makes use of the protected invention and at the same time prohibits anyone else to exploit it, sells the newly invented products obtained from the protected invention, and receives compensations when someone else uses the patent-protected innovation under an agreement. Accounting for a patent is based on the cost of the patent and the costs incurred in the process of its development.
- f) **A licence** is the right to use a patent. Accounting for licences is based on the cost of the licence, provided that a licence has been paid for in advance for a longer period of time.
- g) **Brand** is the right protecting a trade mark or a sign used in trade for distinguishing purposes. Accounting for brands is based on the cost of the brand and/or the costs and expenses in connection with its acquisition.
- h) **Borrowing costs** are interest and other costs incurred by an organisation in connection with borrowing funds to acquire and prepare an intangible asset for its intended use, as well as interest related to leases liabilities. These are the costs that could have been avoided, if the expenses on the qualifying asset had not been incurred. They are determined in the amount

of actual costs for funds, borrowed specifically for the purpose of obtaining a qualifying asset, reduced by any investment income, related to temporary investment of those funds, or using a criterion to allocate the costs of inappropriate loans. The costs of general borrowings are included in cost of a qualifying asset at an interest rate calculated as a weighted average of the interest rates for all borrowings of the organisation outstanding during the period, except for borrowings, borrowed specifically to finance the acquisition of qualifying assets. The inclusion of borrowing costs in cost of a qualifying asset is suspended for prolonged interruptions in the process of their creation or preparation for use and restarted when the activities resume. The organisation does not begin to allocate borrowing costs to the part of cost until all of the following conditions are met:

- a) the organisation incurs expenditures for the asset;
- b) the organisation incurs borrowing costs; and
- c) the organisation undertakes activities that are necessary to prepare the asset for its intended use.

An organisation shall cease capitalising borrowing costs when the activities necessary for the qualifying asset to be ready for its intended use are completed.

D Clarifications

- 2.37 Intangible assets whose individual value does not exceed EUR 500 may be recognised as costs of the period in which they are acquired.
- 2.38 Rights in immovable property and other similar rights that are recognised and measured as intangible assets in books of account in accordance with this Standard are presented in the balance sheet under the item Land and buildings.
- 2.39 An organisation - lessee may elect to account for leases of intangible assets in the same manner as specified in SAS 1.61.

E Dates of Adoption and Effective Date

- 2.40 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

Organisations shall discontinue applying *SAS 2 Intangible Assets (2016)* and *Position 1 to SAS 2 (2016)* from the date of application of this Standard.

Slovenian Accounting Standard 3 (2024)

INVESTMENTS

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of investments. It deals with:

- a) the classification of investments;
- b) the recognition and derecognition of investments;
- c) the initial measurement of investments;
- d) the revaluation of investments; and
- e) the disclosure of investments.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 8, 9, 14, 15, 17, 20, 21, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Investments

- 3.1 Investments represent financial assets held by the investor organisation for the purpose of increasing its financial revenue through returns from investments; financial revenue differs from operating revenue which derives from the sale of products and rendering of services within the scope of the organisation's regular operations.
- 3.2 Investments are predominantly investments in the equity of other organisations or in financial debts of other organisations, of the government, of a region or municipality, or of other issuers (investments in loans); they may also appear as financial assets of a different nature, not linked to the production of goods and rendering of services in the organisation concerned. Operating and financial receivables shall not be considered investments, except those held for trading.
- 3.3 Investments in the equity of other organisations are investments in equity instruments.
- 3.4 Investments in loans are investments in financial debts of other organisations, of governments or of other issuers. They also comprise investments in bonds.
- 3.5 Investments also comprise investments in derivative financial instruments.
- 3.6 Investments in equity and investments in loans are categorised as those relating to the consolidated subsidiaries, associates and jointly controlled organisations, and others.
- 3.7 On initial recognition, other investments from SAS 3.6 shall be classified as:
 - financial assets at fair value through profit or loss;
 - financial assets measured at amortised cost; or
 - financial assets measured at fair value through equity.

The classification into a group is based on the organisation's business model for managing investments subject of the classification and the characteristics of the contractual cash flow of the financial asset.

b) Recognition and Derecognition of Investments

- 3.8 An investment shall be recognised as financial assets in the books of account and in the balance sheet if:
- a) the organisation controls and enables it to obtain the economic benefits associated with it; and
 - b) the cost of the investment can be measured reliably.
- 3.9 When accounting for a regular way purchase of a financial asset, such a financial asset shall be recognised in the books of account and in the balance sheet by using either the trade date accounting or settlement date accounting. The same applies to the accounting of a regular way sale of a financial asset. The chosen method shall be applied consistently for all purchases and sales of financial assets that belong to the same class of investments defined in SAS 3.7.
- 3.10 Investments are financial assets recorded in the balance sheet as long-term and short-term investments. Long-term investments are investments that an investor organisation intends to hold for a period longer than one year.
- 3.11 Financial assets measured at fair value through profit or loss are usually short-term investments.
- 3.12 Long-term investments in financial debts of other organisations, of the government or of other issuers (investments in loans) with maturity no later than one year after the balance sheet date shall be transferred to short-term investments in the balance sheet.
- 3.13 Long-term investments in loans, i.e. in debts of other organisations, that cease to have a long-term character due to a change in the creditors' situation (e.g. due to bankruptcy or liquidation) shall be recognised as short-term investments.
- 3.14 Short-term investments may be converted into long-term investments for justified reasons and on the basis of contracts.
- 3.15 Long-term investments reclassified to short-term investments shall be transferred to them individually at their carrying amounts. Short-term investments reclassified to long-term investments shall be transferred to them individually at their carrying amounts.
- 3.16 An investment as a financial asset shall be derecognised in the accounting records and the balance sheet if the contractual rights to cash flows from an investment associated with it cease to exist or if the investments are transferred, provided that the transfer qualifies for derecognition.

If an organisation retains the rights to receive cash flows from a financial asset (the original asset) but assumes an obligation to pay those cash flows to one or more recipients, the transaction is treated as a transfer (disposal) of the financial asset only if the following three conditions are met:

- a) the organisation has no obligation to pay the amounts to the recipients unless it receives the corresponding amounts from the original asset (the financial asset);
- b) the transfer agreement prohibits the organisation from selling or pledging the original asset (the financial asset), other than pledging as collateral to secure an obligation to pay cash flows to the recipients;
- c) the organisation is obliged to pay all cash flows it receives on behalf of the recipients without material delay.

When a financial asset is transferred, the organisation assesses the extent to which it has retained the risks and benefits associated with the ownership of the financial asset. In this case, the following applies:

- a) if substantially all the risks and benefits associated with the ownership of the financial asset are transferred, the financial asset is derecognised and any rights and obligations that are created or retained in the transfer are recognised separately as assets or liabilities;
- b) if substantially all the risks and benefits associated with the ownership of the financial asset are retained the financial asset continues to be recognised;
- c) if neither substantially all the risks and benefits associated with the ownership of the financial asset are transferred nor retained, the organisation assesses whether it has retained control of the financial asset. In this case, the following applies:
 - if the control of the financial asset is not retained, the financial asset is derecognised and any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities;
 - if the control is retained, the financial asset continues to be recognised to the extent of the organisation's interest in the financial asset.

3.17 In derecognising a financial asset measured at amortised cost and cost the difference between:

- a) the carrying amount; and
- b) the sum of the consideration received, including new assets acquired less new liabilities assumed, and the cumulative gains or losses shall be recognised in profit or loss.

On derecognition of a financial asset classified into a group of financial assets, measured at fair value through profit or loss, the difference between:

- a) the carrying amount; and
- b) the sum of the consideration received, including new assets acquired less new liabilities assumed, and the cumulative gains or losses shall be recognised in profit or loss.

On derecognition of a financial asset that is an investment in an equity instrument classified into a group of financial assets, measured at fair value through equity, the difference between:

- a) the carrying amount; and
- b) the sum of consideration received, including new assets acquired less new liabilities assumed, and cumulative gains or losses recognised directly in equity, shall be recognised in net profit or loss.

c) Initial Measurement of Investments

3.18 On initial recognition, an organisation shall measure an investment recognised as a financial asset at its fair value. If a financial asset is not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the financial asset shall be added to the initially recognised value.

3.19 When an organisation accounts for an investment after the settlement date, it shall initially recognise the investment that will subsequently be measured at cost or amortised cost at its fair value at the trade date increased by transaction costs.

3.20 At the commencement of the lease term, the lessor shall recognise assets under finance lease as an investment in the amount equal to the net investment in the lease. The lessor shall measure the net investment in the lease at the interest rate adopted in the lease. Initial direct costs, other than those incurred by the manufacturer or dealer acting as the lessor, are included in the initial measurement of the net investment in the lease and reduce the revenue over the lease term.

The lease payments included in the measurement of the net investment in the lease at the commencement of the lease term include the following right to use the leased asset:

- a) fixed lease payments, less any liabilities arising from lease incentive;
- b) variable lease payments that depend on an index or rate, initially measured at the index or rate applicable at the date the lease commences;
- c) amounts expected to be paid to the lessor by the lessee for the residual value;
- d) the exercise price of a call option, if it is reasonably certain that the lessee will exercise the option; and
- e) the payment of penalties for terminating the lease, if the lease term indicates that the lessee will exercise the termination option.

The seller or trader acting as the lessor shall recognise the following at the commencement of the lease term:

- a) revenue equal to the lower of the fair value of the leased asset or the present value of lease payments due to the lessor; if it is lower, discounted at the market rate of interest;
- b) the cost to sell the leased asset, which is equal to its cost or its carrying amount, if it is different from the cost, less the present value of the unguaranteed residual value;
- c) any profit or loss on the sale, equal to the difference between the proceeds and the costs to sell.

Revenue shall be recognised in accordance with SAS 15 *Revenue*.

The lessor shall account for a change in a finance lease as a separate lease if:

- a) the change increases the scope of the lease by adding the right to use one or more leased assets; and
- b) the lease payments increase by an amount proportionate to the stand-alone price of the increase, with an estimate and appropriate adjustments to that stand-alone cost to reflect the circumstances of the particular contract.

For a modification of a finance lease that is not accounted for as a separate lease, the lessor shall account for the lease modification as follows: if, at the commencement of the lease term, the lease would have been classified as an operating lease, if the modification had the modification been effective at that time, the lessor shall:

- a) account for the lease modification as a new lease from the effective date of the change; and
- b) measure the carrying amount of the leased asset as the net investment in the lease immediately before the effective date.

The change in an operating lease shall be accounted for as a new lease from the effective date of the change, with any prepaid or received lease payments related to the original lease considered as part of the lease payments for the new lease.

d) Revaluation of Investments

3.21 The revaluation of investments is an adjustment to their carrying amount; contractually accrued interest and other changes in the investment's principal are not considered revaluation. Revaluation primarily occurs as a revaluation of investments to their fair value, a revaluation of investments due to impairment, or a revaluation of investments due to reversal of their impairment.

3.22 After initial recognition, an organisation shall measure financial assets, including derivative financial instruments that are financial assets, at their fair values, without any deduction of transaction costs that may incur on sale or other disposal, except for:

- a) investments, which shall be measured at amortised cost;

- b) investments in equity instruments for which no quoted price is available in an active market and whose fair value cannot be reliably measured; as well as in derivative financial instruments linked to such investments and have to be settled with them; such investments shall be measured at cost.

Investments in subsidiaries, associates and joint ventures are measured and accounted for at cost only.

- 3.23 Fair value is evidenced, if it can be reliably measured. Fair value is determined in accordance with SAS 16 – *Identification and Measurement of Fair Value*. If fair value cannot be measured reliably, investments are measured at cost.
- 3.24 A change in the fair value of a financial asset that is not part of a hedging relationship shall be recognised as follows:
- a) for a financial asset measured at fair value through profit or loss, in profit or loss under financial revenue and expenses;
 - b) for a financial asset measured at fair value through equity, under the item Reserve arising from measuring at fair value.

Restatements of financial assets expressed in foreign currencies that are monetary items shall be recognised in profit or loss. Restatements of other financial assets expressed in foreign currencies shall be recognised in accordance with their classification.

Interest calculated by using the effective interest method shall be recognised in profit or loss.

Dividends on an equity instrument shall be recognised in profit or loss when the organisation obtains the right to receive payment.

- 3.25 For financial assets, recorded at amortised cost and cost, a gain or loss is recognised in profit or loss when such assets are revalued due to impairment or derecognised.
- 3.26 If an organisation recognises financial assets based on the settlement date, for assets measured at cost or amortized cost, changes in fair value (excluding impairment losses) occurring between the trade date and the settlement date are not recognized. However, for assets measured at fair value, changes in fair value are recognized in profit or loss or equity under the conditions of SAS 3.24.
- 3.27 For investments that are not measured at fair value, an assessment shall be made at each balance sheet date as to whether there is any objective evidence of potential impairment. If such evidence exists, the investment shall be revalued for impairment.

An investment (or group of investments) is impaired, resulting in a loss, only if there is objective evidence of impairment as a result of an event (or events) after the initial recognition of the investment (an adverse event) and that event (or events) has (have) an impact on the estimated future cash flows of the investment (or groups of investments) that can be reliably estimated. Objective evidence that an investment or groups of investments is or are impaired includes relevant information about:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as failure to meet obligations or violations in the payment of interest or principal;
- a concession by the lender to the borrower for economic or legal reasons related to the lender's financial difficulties that the lender would not have otherwise considered;
- the probability of bankruptcy or financial reorganisation of the borrower;
- the disappearance of an active market for such an investment, because of financial difficulties;
- material information indicating a measurable decrease in the estimated future cash flows from a group of investments since the initial recognition of the assets, including:

- adverse changes in the payment status of borrowers (e.g. an increase in the number of late payments or an increase in the number of borrowers with credit cards who have reached their top limit and are making only small monthly payments);
- economic conditions in the country or local environment associated with defaults on assets in the group (e.g. an increase in the unemployment rate in the geographical area of borrowers, a decrease in real estate prices for mortgages in the region concerned or adverse changes in the industry affecting borrowers).

In addition to these types of events, objective evidence of impairment in equity instruments also includes information about significant adverse changes that have occurred in the technological, market, economic or legal environment in which the issuer operates, indicating that the value of the investment in equity instrument may not be recoverable.

- 3.28 If there is objective evidence that an investment measured at amortized cost or cost has incurred an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the investment and the present value of the expected future cash flows, discounted at the original effective interest rate of the investment. The carrying amount shall be reduced either directly or by restatement to the allowance account. The impairment loss shall be recognised in profit or loss as revaluation financial expense.

If in a subsequent period, the size of the impairment loss decreases and the decrease can be objectively linked to an event after the impairment was recognised (such as an improvement in the credit rating / creditworthiness), the previously recognised impairment loss shall be reversed by restatement either directly or through the allowance account. The reversal of the impairment loss does not result in the carrying amount of the investment being higher than its amortised cost would have been if the impairment loss had not been recognized on the date the impairment loss was reversed. The reversal of the impairment loss is recognized in profit or loss as a revaluation financial revenue.

- 3.29 If there is objective evidence that an impairment loss has been incurred on an investment in an equity instrument that does not have a quoted price in an active market and that is not carried at fair value, but at cost, because its fair value cannot be reliably measured, or in a derivative financial instrument that is linked to it and has to be settled by a delivery of equity instruments that do not have a quoted price in an active market, the amount of the impairment loss shall be measured as the difference between the carrying amount of the investment and the present value of expected future cash flows discounted at the current market rate of return for similar financial assets and recognised as revaluation financial expense.

- 3.30 For hedge accounting, an organisation shall adopt written rules on hedge accounting, ensure the existence of documentation on the hedge relationship should exist, and establish objectives and a strategy for risk management. The hedge rules shall include at least the definition of hedging instruments, the hedged items or transactions, the nature of the risk being hedged, and the definition of effectiveness of the hedging instruments in addressing their exposure to changes in the fair value of the hedged item or the hedged cash flows of the transaction that are attributable to the hedging.

A hedging relationship qualifies for hedge accounting if, in addition to the documented hedging rules, it consists of appropriate hedging instruments and hedged items and meets the requirements for hedge effectiveness. This is achieved if there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate changes in value arising from the economic relationship, and the hedge ratio in the hedging relationship matches the ratio derived from the volume of the hedged item actually being hedged and the volume of the hedging instrument used by the organization to hedge that item.

There are three types of a hedging relationships:

- a) fair value hedge is a hedge of exposure to a change in the fair value of an asset or liability or an unrecognised firm obligation that is attributable to a specific risk and that could affect profit or loss;
- b) cash flow hedge is a hedge of exposure to changes in cash flows that are attributable to a specific risk associated with an asset, liability or a highly probable forecast transaction that could affect profit or loss;
- c) hedge of a net investment in a foreign operation.

For cash flow hedges, the forecast transaction subject of the hedge shall be highly probable and exposed to changes in cash flows that could significantly impact profit or loss.

The fair value or cash flows of the hedged item attributable to the hedged risk and the fair value of the hedging instrument shall be reliably measurable.

For successful fair value hedges, the gain or loss arising from remeasuring the hedging instrument shall be recognised in profit or loss or in equity, if the hedging instrument hedges an equity instrument for which the organisation has elected to present changes in fair value in the item Reserve arising from measurement at fair value. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss.

If the hedged item is:

- a) an investment measured at fair value through equity, the gain or loss on the hedged item attributable to the hedged risk shall be recognised in the income statement;
- b) an equity instrument measured at fair value through equity, the amounts arising from the hedge are offset against the fair value reserve;
- c) an unrecognised firm obligation, the cumulative change in the fair value of the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Any such adjustment to the hedged item is recognised in profit or loss, if the hedged item is a financial instrument measured at amortised cost.

For cash flow and net investment hedges, the portion of the gain or loss on the hedging instrument that qualifies as an effective hedge is recognised in reserves arising from measurement at fair value and the unsuccessful portion of the gain is recognised in profit or loss.

d) Disclosure of investments

- 3.31 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 3.32 The nature of the relationship between the parent organisation and each subsidiary shall be disclosed when the parent organisation, either directly or through its subsidiaries, does not hold more than half of the voting rights.
- 3.33 An organisation – a joint venturer shall disclose its share of equity interests in joint ventures. Furthermore, a venturer shall disclose all obligations related to its interests in joint ventures, and its share of obligations regarding the equity of joint ventures, whether assumed jointly with other joint venturers or independently.

- 3.34 The following shall be disclosed in relation to all investments:
- a) the accounting policy for determining their cost and subsequent carrying amount, fair value, and amortised cost;
 - b) the date of the last revaluation of investments and any involvement of an independent valuer;
 - c) the movement of fair value reserve in respect of investments, and the revaluation financial revenue and expense in respect thereof.
- 3.35 For each type of investment, information is disclosed on:
- a) the exposure to different types of risk;
 - b) the extent and types of financial instruments used to hedge the risk;
 - c) investments that are due but not yet collected.
- 3.36 For interest rate risk exposures, the contractual terms of interest rate adjustments or payment terms are disclosed, whichever is earlier.
- 3.37 With regard to credit risk exposure an organisation shall disclose:
- a) the amount that best represents the maximum exposure to such a risk at the balance sheet date, excluding the fair value of any collateral, if other parties were unable to perform their obligations under financial instruments; and
 - b) significant accumulation of credit risk.
- 3.38 For each class of investment, an organisation shall disclose information about its fair value. If the fair value cannot be determined with sufficient reliability, it shall be disclosed together with the information on the main characteristics of each class of investments.

C Key Definitions

- 3.39 This Standard uses some terms which need to be explained in order to define the key concepts.
- a) **A long-term investment** is an investment held by an investor organisation during a period of more than one year with the intention to generate long-term yield, and not for trading. Any other investment shall be stated in the balance sheet as a short-term investment.
 - b) **A financial instrument** is any agreement that gives rise to a financial asset of one organisation and a financial liability or equity instrument of another organisation. A financial asset is any asset that is:
 - a) cash;
 - b) a contractual right to receive cash or another financial asset from another organisation;
 - c) a contractual right to exchange financial instruments with another organisation under conditions that are potentially favourable;
 - d) an equity instrument of another organisation; or
 - e) an agreement that can or will be settled in the organisation's own equity instruments.
 - c) **Securities** are documents with which the issuer pledges to fulfil the stated liability to their rightful owner. Equity securities are issued by an organisation in association with its equity, while debt securities are issued by an organisation in association with its debt.
 - d) **A derivative** is a financial instrument:
 - a) whose value changes in response to the change in a specified interest rate, a securities exchange rate, price of goods, foreign exchange rate, price index, creditworthiness, or similar variables;

- b) that requires no initial net investments or little initial net investment; and
 - c) that is settled at a future date. Typical examples of derivative financial instruments are futures and forwards, swaps and option contracts. A derivative can also be used as a hedging instrument.
- e) **The amortised cost** of a financial asset is the amount at which the financial asset is measured at initial recognition minus repayments of the principal, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.
- f) **The effective interest method** is a method of calculating the amortised cost of a financial asset or a group of financial assets and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated flow of future cash payments or receipts through the expected life of the financial instrument or, when appropriate, in a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, an organisation shall estimate cash flows considering all contractual provisions of the financial instrument (e.g. prepayments, call and similar options), but shall not consider future credit losses. The calculation includes all fees and amounts paid or received between the parties to the contract that are not part of the effective interest rate, transaction costs, and any other premiums or discounts. It is assumed that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare circumstances when the cash flow or expected life of a financial instrument (or group of financial instruments) cannot be estimated reliably, the organisation shall use the contractual cash flows over the life of the financial instrument (or group of financial instruments).
- g) **An equity instrument** is any agreement that evidences a residual interest in the assets of an organisation after deducting all its debts.
- h) **A regular way purchase or sale** is the purchase or sale of a financial asset under an agreement the terms of which require the delivery of that asset within a period of time established generally specified by regulation or agreement in the market concerned.
- i) **Transaction costs** are costs that are directly attributable to the acquisition, issue or disposal of a financial asset.
- j) **The trade (exchange) date** is the date on which an organisation commits to buy or sell an asset. The trade date refers to:
 - a) the recognition of an asset to be received and a liability to be settled at the trade date;
 - b) the derecognition of the asset sold, recognition of a gain or loss on disposal and recognition of a receivable from the customer for consideration at the date of sale.

Generally, interest on the asset and the corresponding liability do not start to accrue until the settlement date, when the title passes.

- k) **The settlement (payment) date** is the date on which the asset is delivered to or by the organisation. The settlement date refers to:
 - a) the recognition of an asset on the day it is received by the organisation; and
 - b) the derecognition of an asset, and recognition of a gain or loss on disposal on the date on which it is delivered by the organisation.

When the settlement date accounting is applied, an organisation shall account for any change in the fair value of the asset to be received between the trade date and the settlement date in the same way as it accounts for the assets acquired. Therefore, a change in value is not recognised for assets carried at cost or amortised cost. It is recognised in profit or loss for assets classified as financial assets at fair value through profit or loss and in equity for assets classified as financial assets at fair value through equity.

- l) **Impairment loss** is the amount by which the carrying amount of an asset not measured at fair value through profit or loss exceeds its recoverable amount.
- m) **A hedging instrument**, for hedge accounting purposes, is a designated derivative or a designated non-derivative financial asset or derivative financial liability whose fair value or cash flows are expected to offset a change in the fair value or cash flows of a hedged item.
- n) **A hedged item** is an asset, debt, firm obligation, highly probable forecast transaction or net investment in a foreign operation that:
 - a) exposes the organisation to risk of changes in fair value or future cash flows; and that
 - b) is for hedge accounting purposes designated as being hedged.
- o) **Hedging** means designating one or more hedging instruments so that a change in fair value or future cash flows is an offset, in whole or in part, by a change in the fair value or cash flows of the hedged item.
- p) **A subsidiary** is an organisation that is controlled by another controlling organisation.
- q) **A joint venture** is a joint arrangement, usually of an organisation formed by a number of joint venturers (parties to the joint venture) that have a right to the net assets of the joint venture. The joint venturers, by virtue of a contractual agreement, jointly control the entire business of such an organisation.
- r) **An associate** is an organisation in which the organisation concerned has significant influence, either by virtue of its equity interest in the organisation or for other reasons.
- s) **Returns from investments** are the returns that annually flow from organisations – investees in which the investments are held (e.g. interest, interests in net profit, lease payments on finance lease), and returns arising on their disposal (e.g. excess of the proceeds over their cost or carrying amount after revaluation).
- t) **Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See SAS 16 *Identification and Measurement of Fair Value*.
- u) **Cash items** comprise the cash held by an organisation, and investments in loans that an organisation will receive in a fixed or determinable amount of cash.
- v) **Net investment in a lease** is the gross investment in the lease discounted at the interest rate, adopted (applied) at the conclusion of the lease term.
- w) **Gross investment** in a lease is the sum of the lessor's receivables for lease payments from finance lease and any unguaranteed residual value due to the lessor.
- x) **Unguaranteed residual value** is that portion of the residual value of a leased asset whose realisation is not guaranteed to the lessor or is guaranteed only by a party unrelated to the lessor.

- y) **Dividends** represent the distribution of equity instruments to the holders in proportion to their respective interests in equity

D Clarifications

- 3.40 Investments are an integral part of both financial assets as well as of long-term and current assets of an investor organisation. They form the basis of financial receivables from legal or natural persons, from which equity or financial debt arise. Long-term commodity credits granted to others are not considered investments.

The organisation also classifies investments in precious metals, cryptocurrencies and other similar assets that are held for the purpose of preserving value as a distinct category of investments. On initial recognition, the organisation shall measure these specific types of investments:

- a) at fair value through profit or loss, or
- b) at cost.

The choice represents an accounting policy that the organisation may not change until such an investment is derecognised.

- 3.41 A financial asset is measured at amortised cost, if both of the following conditions are met:
- a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
 - b) the contractual terms of the financial asset result in cash flows that are solely repayments of the principal and interest on the outstanding principal at specified dates.

- 3.42 A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through equity.

Derivative financial instruments, other than those designated as hedging instruments, are also measured at fair value through profit or loss.

- 3.43 On initial recognition, an organisation may irrevocably elect to measure investments in equity instruments, not held for trading and otherwise measured at fair value through profit or loss, at fair value through equity. This election is made individually for each instrument (e.g. for each share). Amounts presented in the item Fair value reserve shall not be transferred to profit or loss.

When such an instrument is derecognised, the cumulative gain or loss previously recognised in the item Fair value reserve is reclassified to net profit or loss transferred. This reflects the gain or loss that would have been recognised in profit or loss on derecognition if the financial asset had been measured at fair value through profit or loss.

A financial asset that is not an equity instrument is measured at fair value through equity, if both conditions are met:

- a) the financial asset is held within a business model that has as its objective by receiving contractual cash flows and selling financial instruments; and
- b) in accordance with the contractual terms of the financial asset, cash flows are generated at specified dates that are solely repayments of principal and interest on the outstanding principal amount.

The principal is the fair value of the financial asset on initial recognition and the interest represents the compensation for the time value of money for the credit risk associated with the outstanding principal amount and for other underlying risks and costs associated with lending, and the profit margin.

- 3.44 For financial assets measured and accounted for at cost, the organisation shall determine, at each balance sheet date, whether there is any objective evidence of potential impairment affecting their recoverable amount. The recoverable amount is measured at the higher of fair value less costs to sell and value in use:
- a) fair value less costs to sell is the price that would be received for the sale of an asset or paid to transfer in a regular transaction between market participants at the measurement date;
 - b) value in use is the present value of the estimated future cash flows from financial assets (e.g. dividends) expected to arise from the continued use of the asset and the value of the financial asset on its disposal.

The recoverable amount is measured in accordance with SAS 17 *Impairment of Property, Plant and Equipment and Intangible Assets*.

- 3.45 The business model of the organisation refers to how it manages its financial assets. It determines whether cash flows arise from the receipt of contractual cash flows, the sale of financial assets, or both. The business model is defined by management and shall be realistic, not just a statement.

A business model whose objective is to hold assets with the intention of receiving contractual cash flows involves holding financial assets with the intention of receiving contractual cash flows over the life of the instrument. The organisation does not necessarily hold the instruments to maturity. Typically, such instruments may be sold if their credit risk increases.

A business model that achieves its objectives through both the receipt of contractual cash flows and the sale of financial instruments involves a higher frequency and volume of sales compared to the previous model.

Financial assets are measured at fair value through profit or loss, if they do not fall under a business model aimed at holding assets with the intention of receiving contractual cash flows or one aimed at achieving objectives through the receipt of contractual cash flows as well as the sale of financial assets. One of the business models that results in fair value measurement through profit or loss is the model where the organisation manages financial assets with the objective of generating cash flows through the sale of assets. The organisation makes decisions based on the fair value of these assets and manages the assets to provide fair values. In this case, the organisation's objective typically involves active buying and selling. Although the organisation may receive contractual cash flows while holding a financial asset, the objective of such a business model is not achieved by both receiving cash flows and selling financial assets. The receipt of contractual cash flows is not essential to achieving the objective of the business model, but is a secondary activity.

- 3.46 An organisation may reclassify financial assets between groups described in SAS 3.7 only if there is a change in the business model for managing financial assets.

The reclassification shall be applied prospectively from the date of reclassification.

If an organisation reclassifies a financial asset from the category measured at amortised cost to the category measured at fair value through profit or loss, its fair value is measured at the date of reclassification. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and its fair value shall be recognised in profit or loss.

If an organisation reclassifies a financial asset from the category measured at amortised cost to the category measured at fair value through other comprehensive income, its fair value is measured at the date of reclassification. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and its fair value shall be recognised in the equity item Fair value

reserve. The effective interest rate and the measurement of impairment losses are not adjusted due to reclassification.

If an organisation reclassifies a financial asset from the category measured at fair value through other comprehensive income to the category measured at amortised cost, the financial asset is reclassified at its fair value at the date of reclassification. The cumulative gain or loss previously recognised in the equity item Fair value reserve is removed from equity. Consequently, the financial asset is measured at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and expected loss measurement are not adjusted due to reclassification.

If an organisation reclassifies a financial asset from the category measured at fair value through profit or loss to the category measured at fair value through other comprehensive income, the financial asset continues to be measured at fair value.

If an organisation reclassifies a financial asset from the category measured at fair value through other comprehensive income to the category measured at fair value through profit or loss, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in equity (or in other comprehensive income) is reclassified from equity to profit or loss at the date of reclassification.

- 3.47 On the date of transition to SAS 3 (2024), effective as of 1 January 2024, or the first day of the financial year beginning thereafter – the organisation shall reallocate items of financial assets without restating comparative financial statements. The effects of reclassifications between groups shall be treated as if the business model had changed. In doing so, the organisation applies the accounting rules in SAS 3.46.

The organisation shall disclose the effects of the transition to SAS 3 (2024) in the first report prepared under SAS 3 (2024).

- 3.48 An organisation may also apply the provision of SAS 3.42 to fund investments, provided that the fair value of such investments can be measured reliably. Investments in alternative investment funds that, for example, invest in limited liability companies and other organisations and whose fair value (under SAS 16) cannot be reliably measured are measured at cost.

E Date of Adoption and Effective Date

- 3.49 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 3 – *Investments* (2016) and *Position 1 to SAS 3* (2016).

Slovenian Accounting Standard 4 (2024)

INVENTORIES

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of inventories of materials, merchandise, work in progress and products. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 3 -the classification of inventories;
- b) the recognition and derecognition of inventories;
- c) the initial measurement of inventories;
- d) the revaluation of inventories; and
- e) the disclosure of inventories.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 12 and 14.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Inventories

- 4.1 Inventories are usually assets in tangible form to be consumed in the production process or in the rendering of services, or assets held for sale in the ordinary course of business.
- 4.2 Inventories of materials comprise quantities held in stock, in the process of completion and modification, and in transit from a supplier, if the organisation has already acquired control over them. Materials may also encompass low-value assets whose useful life is not more than one year, as well as low-value assets whose useful life exceeds one year, if the individual cost does not exceed EUR 500.
- 4.3 Inventories in the process of production encompass work in progress and semi-finished products.
- 4.4 Inventories held for sale encompass finished goods and merchandise held in store and quantities in transit to the customer until customer acquires control over them. Merchandise also includes quantities in transit from the supplier, if the organisation has already acquired control over them.
- 4.5 Advances paid for materials and merchandise, which are presented in the balance sheet in association with inventories, shall be recorded in the books of account as receivables.
- 4.6 Quantities held in stock shall be distinguished from damaged items in stock, discontinued products, low-quality products and from non-sellable merchandise.

b) Recognition and Derecognition of Inventories

- 4.7 An item of inventories shall be recognised in the books of account and in the balance sheet if:
- a) the organisation controls it and it enables organisation to obtain economic benefits from it; and
 - b) its cost or fair value (in the case of inventories of biological assets or agricultural produce), can be measured reliably.
- 4.8 If qualitative changes in an inventory item are established under SAS 4.6, they shall be presented in the books of account.
- 4.9 An organisation shall derecognise an inventory item as an asset in its books of account and the balance sheet when the item is consumed, sold or ceases to exist, as confirmed by relevant documents. The organisation shall keep separate records of inventories that have been subject to the internal consumption.

c) Initial Measurement of Inventories

- 4.10 On initial recognition, an inventory item of materials and merchandise shall be measured at cost, which includes the purchase price, import duties and other non-refundable purchase taxes and direct costs of purchase. Non-refundable purchase taxes also comprise the non-refundable value added tax. The purchase price shall be reduced by trade discounts and rebates received.
- 4.11 On initial recognition, a unit of product or work in progress (other than inventories of a biological asset measured at fair value less costs to sell) shall be generally measured at costs of production, either in a broad or narrow sense, or alternatively at variable costs of production in a narrow sense. Other costs may be included in the valuation of inventories of products and work in progress, but only if they are associated with bringing the inventories to their present locations and stages of completion.

The inclusion of indirect costs in the cost of a unit of product or work in progress in inventories must be related to bringing the inventories to their present location and stage of completion. The cost of a unit of product or work in progress may also include borrowing costs incurred to finance these items until they are completed and ready for sale, provided the production processes last longer than one year. However, this inclusion shall not result in the value of inventories exceeding their net realisable value.

On initial recognition, a unit of agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the time of harvesting. This value represents the historical cost at the time of initial recognition of the inventories of produce. Any gain or loss arising on the initial recognition of harvested agricultural produce at fair value less costs to sell shall be recognised in profit or loss through operating revenue and expenses.

Only in extraordinary circumstances, if the fair value of agricultural produce harvested from an organisation's biological assets cannot be measured reliably, the harvested agricultural produce shall be valued in accordance with the first paragraph of SAS 4.11.

- 4.12 On initial recognition, the value of individual cost elements in the cost of a unit and the total cost of an item of inventory are derived from historical costs. Exceptional costs of direct materials and direct labour, as well as exceptional indirect costs, shall not be included in the cost of an inventory item. The allocation of the fixed portion of production costs shall be based on the normal level of utilisation of production capacity under normal operating conditions for facilities, equipment and personnel.

- 4.13 If the prices of newly purchased inventory units or the costs of newly produced units in the accounting period differ from the prices and/or the costs of similar inventory units already in stock, the organisation may apply the FIFO method (first-in, first-out) or the weighted average cost method to reduce inventory quantities during the year. Average prices can be calculated by the organisation for each additional inventory receipt (the moving weighted average price method) or for the period.

An organisation can immediately recognise low-value assets put to use as expenses or it may gradually recognise expenses from these assets during the accounting period no longer than one year.

- 4.14 If fixed (estimated, standard) prices to measure inventories are used, variances shall be accounted for separately for groups of related inventory items or individual projects. Fixed price variances shall be determined in accordance with the current valuation of inventories under SAS 4.13.
- 4.15 The carrying amount of the consumed inventories is recognised as either the product or period cost, while the carrying amount of inventories sold is recognised as operating expenses. The value of inventory shortages identified during inventory counts, for which no one is personally accountable, is also recognised as operating expense.

d) Revaluation of Inventories

- 4.16 The revaluation of inventories is an adjustment to their carrying amount. It may be carried out either at the end of or during the financial year.

- 4.17 Inventories shall be measured at the lower of historical cost and net realisable value.

Biological assets that are inventories (e.g. fattened livestock for slaughter, poultry for slaughter) shall be recognised both at initial recognition and at each end of reporting period at fair value less costs to sell, except in extraordinary cases, if fair value cannot be measured reliably.

- 4.18 The cost of inventories is not fully recoverable if the inventories are damaged, wholly or partially obsolete, or if their selling prices decreased below their carrying amount. The cost of inventories is also not recoverable if the estimated costs of completion or estimated costs associated with the sale increase to a level where they exceed the expected selling prices. If the carrying amount, including that based on the latest actual cost, exceeds the net realisable value, it shall be written down to the net realisable value. The carrying amount shall be written down for each item or a group of similar inventory items individually.
- 4.19 The net realisable value of inventories required to fulfil concluded sales contracts shall be calculated based on contractual prices. If sales contracts cover quantities smaller than the inventory on hand, the net realisable value for the difference must be calculated based on prevailing market prices.
- 4.20 The value of normal inventory levels of materials expected to be used in production need not be written down below the historical cost, if it can be expected that the selling price of finished goods incorporating these materials will be equal to or higher than the historical cost. However, if it is expected that the historical cost of the finished goods will exceed the net realisable value, the value of the inventories of materials shall be written down to the level of net realisable value.
- 4.21 Any reduction in inventories of raw and other materials as well as of low-value assets, inventories of work of progress, finished goods and merchandise due to their revaluation shall be charged against the revaluation operating expenses.

e) Disclosure of Inventories

- 4.22 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 4.23 The following shall be also disclosed:
- a) the accounting policies applied for the measurement of the inventories during and at the end of the period, as well as the cost formula used;
 - b) write-offs and impairments of inventories by main classes;
 - c) surpluses and shortages identified during inventory count.
- 4.24 The carrying amount of inventories pledged as security for liabilities is also disclosed.

C Key Definitions

- 4.25 This Standard uses some terms which need to be explained and defined.
- a) **Materials in the broader sense** include raw materials and supplies, semi-finished products, components, spare parts, low-value assets as well as fuels and lubricants. Waste from written-off items or own production is considered material if it is intended for sale.
 - b) **Low-value assets in the broader sense** are tools, devices and other equipment as well as separable packaging and similar items whose useful life is up to one year. Under low-value assets an organisation may also classify items of low-value assets whose useful life exceeds one year and whose individual cost does not exceed EUR 500.
 - c) **Work in progress in the broader sense** comprises work in progress in places of production, self-constructed semi-finished products and components, intended for finishing products, as well as wastes held for use in the production process.
 - d) **Products** are finished goods in the form of objects held for direct sale yet still owned by the organisation. They include also those biological assets that are inventories.
 - e) **Agricultural produce** is a harvested produce of the organisation's biological assets.
 - f) **Merchandise** comprises purchased products held for sale.
 - g) **Import duties** included in the cost of purchase comprise customs duty on import, input value added tax and any other purchase related taxes.
 - h) **Direct costs of acquisition** include transportation, loading, re-loading, unloading and handling costs, transport insurance costs, specially charged packaging costs, costs of tracking goods, costs of brokerage agency services, and similar costs to be paid by the customer.
 - i) **Production costs** include direct costs of materials, direct labour costs, direct costs of services, direct depreciation and production overheads.
 - j) **Production overheads** are costs of materials, services, labour and depreciation, incurred in the production process but cannot be directly attributed to products and services being produced.

- k) **Production costs in the narrow sense** are the costs incurred in the production process, while **production costs in the broader sense** include production costs incurred up to the completion of the production process, encompassing also purchasing overheads.
- l) **Variable production costs** include direct variable production costs, and the variable portion of production overheads.
- m) **Discounts on purchase price** are only discounts, recorded on the invoice; discounts and rebates received subsequently reduce operating expenses.
- n) **Fixed (estimated, standard) price** is the planned purchasing or production cost of an item of inventory in accordance with the first paragraph of SAS 4.11.
- o) **Net realisable value** is the estimated selling price achievable in the ordinary course of business, reduced by estimated costs of completion and estimated costs to sell.
- p) **Borrowing costs** comprise interest and other costs in connection with borrowing funds for the production of a certain product. These are costs that could have been avoided if the expenditure on the asset in the production process had not been incurred. They are determined in the amount of actual costs for funds, borrowed specifically for the purpose of producing a product (qualifying asset), reduced by any investment income related to temporary investment of those funds, or using a criterion to allocate the costs of general borrowings. The costs of general borrowings are included in cost of a product (qualifying asset) at an interest rate calculated as a weighted average of the interest rates on all borrowings of the organisation, that are outstanding during the period, except for borrowings, borrowed specifically to finance the acquisition of qualifying assets. The inclusion of borrowing costs in cost of a product (qualifying asset) is suspended for prolonged interruptions in the process of production or preparation for sale and restarted when the activities resume. The organisation does not begin to allocate borrowing costs to the cost of a product (qualifying asset) until all of the following conditions are met:
- a) the organisation incurs expenditures for the asset;
 - b) the organisation incurs borrowing costs; and
 - c) the organisation commences activities that are necessary to prepare the asset for its intended use.

An organisation shall cease capitalising borrowing costs when the production process is finished and the product is ready for sale.

- q) **A biological asset** is a living animal or plant.
- r) **Harvesting** is the separation of the crop from a biological asset or the cessation of life of a biological asset.
- s) **Costs to sell** are the incremental costs directly attributable to the disposal of an asset or a cash-generating unit, excluding financing costs and income taxes. These costs primarily include potential legal fees, duties, costs of removing the asset and the direct incremental costs associated with preparing an asset for sale. Selling costs also include transportation and other costs necessary to bring the asset to market.

D Clarifications

- 4.26 Inventories of materials or merchandise delivered to external parties for modification or processing shall be recorded in inventories held by their owner, and on their return the owner shall increase their previously stated value by the costs of modification or processing and by the value added tax charged, if it cannot be deducted as input value added tax. The organisation that accepts inventories of materials or merchandise for modification or processing does not own such inventories and therefore records them as off-balance-sheet items. The costs of modification or processing are charged to the owner and represent operating revenue of the organisation. Materials or merchandise handed over to sub-contractors shall be carried separately.
- 4.27 Inventories of products or semi-finished products delivered for finishing or processing shall be recorded in inventories held by their owner, and on their return from finishing or processing the owner shall increase the production costs of finishing or processing services, respectively. The organisation that accepts inventories of products or semi-finished products for finishing or processing does not own such inventories and therefore records them as off-balance-sheet items. The costs of for finishing or processing are charged to the owner and represent operating revenue of the organisation.
- 4.28 Borrowing costs incurred in connection with work in progress and finished goods are included in the amount of work in progress and products in production processes lasting longer than a year, for example in shipbuilding, construction and similar activities.
- 4.29 The purchase price of a newly acquired building or the costs of compensation for a building to be removed with the view of constructing a new building for the market, represents the costs of site preparation, which may be included in the inventory unit price as the cost of materials in accordance with the valuation method used. However, this only applies where the time until the removal of such a building is not more than one year. Otherwise, it shall be recognised as fixed assets or investment property.
- 4.30 The estimate of net realisable value shall be based on the most reliable evidence available at the time of preparing the valuation, reflecting what the inventories are expected to achieve upon sale, not on occasional fluctuations in price or costs.
- 4.31 Inventories shall be fully written-off if their sale has been permanently discontinued or their use is prohibited.
- 4.32 Changes in the net realisable value of inventories held by producers of agricultural and forestry products, agricultural produce after harvest, and minerals and mineral products, which are valued at net realisable value in accordance with the level of production, are recognised in profit or loss of the period in which changes occur.
- Changes in the fair value of inventories held by intermediaries that buy or sell merchandise on behalf of others or for their own account, and are measured at fair value less costs to sell are recognised in profit or loss of the period in which change occur.
- 4.33 In the case of self-consumption of biological assets held in inventories and harvested agricultural produce from biological assets, the organisation shall, in accordance with the SAS 4.9, keep separate records of its own consumption of such inventories.

E Date of Adoption and Effective Date

4.37 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 4 – *Inventories* (2016).

Slovenian Accounting Standard 5 (2024)

RECEIVABLES

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of short-term and long-term receivables. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 4 -the classification of receivables;
- b) the recognition and derecognition of receivables;
- c) the initial measurement of receivables;
- d) the revaluation of receivables; and
- e) the disclosure of receivables.

This Standard does not address deferred costs and accrued revenue.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 15, 17, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Receivables

5.1 Receivables are the rights, based on property and other legal relationships, to demand payment of a debt from a specific person, or in the case of advance payments, the delivery of certain goods or the provision of certain services. In any case, except for advance payments, there is the match between one party's contractual right to receive money and the corresponding obligation of the other party to fulfil its obligation.

Investments are not considered to be trade receivables. Only amounts, related to the financial revenue arising from investments, are classified as trade receivables. Financial assets other than trade receivables are dealt with in SAS 3 *Investments*. Accruals and deferrals are classified as trade receivables only in a broader sense and are not covered by this Standard.

5.2 Receivables are predominantly amounts owed by customers or assignees of receivables or other providers of funds for goods sold and services provided; they may also be amounts owed by suppliers, employees, participants in the distribution of profit or loss, providers of funds, the government, and the issuers of equity and debt financial instruments held by the organisation. Also included are trade receivables due from third-party accounts, indemnities and receivables due from other business relationships.

5.3 Receivables due from customers are receivables related to products and merchandise sold and services performed, as well as to the sale of other assets. Receivables due from other providers of funds for products sold and services provided are mostly receivables due from the state related to government grants and subsidies.

- 5.4 Receivables due from the suppliers are advances paid to them for items of property, plant and equipment, intangible assets, inventories and services not yet provided, as well as overpayments, advances, and collaterals given. Receivables due from employees are advances paid to them, and compensation charges.
- 5.5 Receivables due from participants in the distribution of profit or loss are receivables due from the state for overpaid taxes or from those obligated to contribute to covering the loss. Receivables due from providers of funds mostly arise in relation to unpaid registered equity capital due for payment. Receivables due from issuers of equity and debt financial instruments held by the organisation are related to the interest and shares in their net profit. A specific class of receivables constitute deferred tax assets.
- 5.6 Advances paid shall be presented in the balance sheet within the category of assets to which they relate. Advances paid for property, plant and equipment are presented within property, plant and equipment, advances paid for intangible assets are part of intangible assets, and advances paid for inventories are part of inventories.
- 5.7 In terms of maturity, receivables are classified into long-term and short-term receivables. This classification is not affected by recording of advances among assets under SAS 5.6, which are usually short-term receivables. As a rule, short-term receivables shall be collected within one year. All other receivables are generally considered to be long-term receivables.

In the balance sheet, long-term receivables that have already matured (but have not yet been settled) and long-term receivables that will mature within one year from the balance sheet date are considered short-term receivables.

- 5.8 Receivables shall be classified based on whether they relate to subsidiaries, associates, and others. Such receivables shall also be treated separately for the purpose of preparing consolidated financial statements. In joint operations, receivables and interests in joint receivables shall likewise be carried and accounted for separately.
- 5.9 Receivables shall also be classified into those related to domestic parties and those related to parties abroad.
- 5.10 Securities received for the settlement of receivables are not part of receivables. Received cheques and readily collectable securities are part of cash, while received bills and securities with maturity at a later date are part of short-term of investments.
- 5.11 Receivables held for trading are part of short-term of investments.
- 5.12 Receivables can be hedged by appropriate derivatives that are part of short-term investments or short-term financial liabilities.

b) Recognition and Derecognition of Receivables

- 5.13 An item of receivables shall be recognised as an asset in the books of account and in the balance sheet, if:
- a) the organisation controls it and it enables organisation to obtain the economic benefits associated with it; and
 - b) its historical cost can be measured reliably.
- 5.14 An item of receivables shall be recognised as an asset in the books of account and in the balance sheet on the basis of the relevant documents when the organisation obtains control over contractual rights tied to it, if the conditions of SAS 5.13 are met.

- 5.15 Deferred tax assets are recorded as long-term receivables.
- 5.16 Short-term tax receivables arise from all types of tax receivable due from the government based on taxation regulations. Receivables due from the government also include receivables for refunds of taxes paid by organisations abroad, as well as receivables for refunds of taxes paid abroad, provided they are based on tax regulations and the conditions for the recognition of receivables set out in SAS 5.13 are met.
- 5.17 The recognition of a receivable as an asset in the books of account and in the balance sheet is derecognised if contractual rights to cash flows from receivables cease, or if the receivables are transferred and the transfer qualifies for derecognition.

Receivables are transferred only when:

- a) the contractual rights to receive cash flows from the receivable are transferred; or
- b) the contractual rights to receive the cash flows from the receivable are retained but a contractual obligation to pay those cash flows to one or more recipients is assumed.

If the organisation retains the contractual rights to receive cash flows from the receivable but assumes a contractual obligation to pay those cash flows to one or more recipients, that transaction is treated as a transfer of the receivable only if the following three conditions are met:

- a) the organisation has no obligation to pay the amounts to the recipients unless it receives the relevant amounts from the original asset (receivable);
- b) the transfer agreement prohibits the organisation from selling or pledging the original asset (receivable), except as collateral for the obligation to pay cash flows to recipients;
- c) the organisation is obliged to pay all cash flows it receives on behalf of the recipients without material delay.

When a receivable is transferred, the organisation assesses the extent to which it has retained the risks and benefits related to ownership of the receivable. In this case, the following applies:

- a) if substantially all the risks and benefits associated with ownership of the receivable are transferred, the receivable is derecognised, and any rights and obligations arising from the transfer are recognised separately as assets or liabilities;
- b) if substantially all the risks and benefits associated with ownership of the receivable are retained, the receivable continues to be recognised;
- c) if neither substantially all the risks and benefits associated with ownership of the receivable are transferred nor retained, the organisation shall assess whether it has retained control of the receivable. In this case, the following shall apply:
 - if control of the receivable is not retained, the receivable is derecognised and any rights and obligations arising from or retained from the transfer are recognised separately as assets or liabilities;
 - if control of the receivable is retained, the receivable continues to be recognised to the extent that the organisation remains involved with the receivable.

c) Initial Measurement of Receivables

- 5.18 Receivables of all categories are initially recognised at amounts derived from relevant documents under the assumption that they will be settled. Initial receivables may subsequently be increased or reduced, for example due to subsequent discounts, returns of goods, or adjustments based on received payments or other forms of settlement, for any amount justified by the contract.
- 5.19 Subsequent increases in receivables (other than advances paid) generally increase the related operating revenue or financial revenue.

5.20 Interest on receivables is financial revenue.

5.21 Subsequent reductions in receivables (other than advances paid), irrespective of payment or other settlement received, shall normally reduce the related operating revenue or financial revenue.

d) Revaluation of Receivables

5.22 Revaluation of receivables refers to changes in their carrying amount. A contractual increase or decrease in the carrying amount of receivables, which directly increases or decreases the receivables, is not considered revaluation. Revaluation can occur at the end of the financial year or during it. It primarily arises as a revaluation of receivables due to their impairment or reversal of impairment, meaning a decrease and, possibly later an increase in their value to their recoverable amount.

5.23 Receivables are generally measured at amortised cost.

5.24 Receivables denominated in a foreign currency shall be translated into the national currency at the balance sheet date. Increases in receivables due to exchange rate differences increase financial revenue, while decreases in receivables increase financial expenses.

5.25 If there is objective evidence that an impairment loss has been incurred on an item of receivables carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the receivable before revaluation and the present value of expected future cash flows, discounted using effective or agreed interest rate. The carrying amount of the receivable shall be reduced by restatement on the allowance account. The loss shall be charged against revaluation operating expenses related to receivables.

Receivables that are expected to be partially or fully uncollectible after initial recognition are disclosed as doubtful. If legal proceedings are initiated for such receivables, they are classified as disputed.

5.26 If, in a subsequent period, the impairment loss on receivables revalued to a lower recoverable amount decreases and the reduction can be objectively linked to an event after the revaluation, the previously recognized impairment loss shall be reversed by restatement on the allowance account. As a result of the reversal, the carrying amount of the receivable shall not exceed the amount that would represent the amortised cost if the revaluation to a lower recoverable amount had not been recognised at the date when the loss is reversed. The amount of the loss reversal is treated as a revaluation operating revenue related to receivables.

5.27 Deferred tax assets are not discounted.

d) Disclosure of Receivables

5.28 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

5.29 Within operating receivables, disclosures are required regarding unsecured and secured receivables due from customers, as well as receivables due from members of management and supervisory board members, and owners. For secured receivables, the subject and value of the collateral shall be disclosed.

- 5.30 An organisation shall disclose the accounting policy applied to the revaluation of receivables in accordance with SAS 5.37.
- 5.31 The following information shall be disclosed for each group of receivables:
- a) exposure to different types of risks; and
 - b) the extent and nature of financial instruments used for hedging.
- 5.32 Classification of receivables in terms of their dates of maturity shall also be disclosed.

C Key Definitions

- 5.33 This Standard uses some terms which need to be explained in order to define the key concepts.
- a) **Long-term receivables** are the receivables which fall due within a period exceeding one year after the balance sheet date.
 - b) **Short-term receivables** are the receivables which fall due within a period shorter than one year after the balance sheet date.
 - c) **The operating cycle** is the period from the acquisition of assets for processing to their realisation in cash or cash equivalents. If the operating cycle is not clearly defined, its duration is assumed to be one year. However, in organisations where the operating cycle exceeds one year, receivables (debts) with a maturity of more than one year are also classified as short-term. This classification shall also be appropriately considered when preparing the balance sheet.
 - d) **A credit sale** is the sale of goods and services that the customer does not pay at the moment of transfer.
 - e) **Doubtful receivables** are receivables for which it is presumed that they will not be settled in their full amount.
 - f) **Disputable receivables** are receivables that have caused a dispute between the creditor and the debtor, which is to be resolved by the court.
 - g) **Collateral** is a substitute asset pledged by a debtor to the creditor as guarantee that obligation will be fulfilled. The debtor shall carry the collateral under receivables, while the creditor records the received collateral as a liability, payable upon settlement of the receivable.
 - h) **Deposit** is the amount of cash or other substitute asset given by one party to another at the conclusion of an agreement as an indication that the contract has been concluded and that its fulfilment is assured.
 - i) **An advance** is a payment made in advance to a supplier for an obligation that is not yet due. The customer shall record the advance as receivables due from the supplier, while the supplier shall record it as a liability to the customer.
 - j) **An overpayment** is a payment to settle a liability beyond its total amount, resulting in a receivable for the payer; it typically arises due to an error.
 - k) **Fair value** is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- l) **The amortised cost** of receivables is the amount at which an item of receivables is measured on initial recognition, reduced by principal repayment, and the revaluation to a lower collectable value.

D Clarifications

5.34 Some receivables, not related to purchases and sales, may be associated with the generation of financial revenue, although they are not investments, such as interest receivables and dividend receivables.

5.35 Material non-interest bearing receivables shall be carried in the balance sheet at a discounted amount, using the average interest rate typically achieved by the organisation in comparable transactions. These receivables do not need to be discounted, if it is expected at the time of the creditor relationship that the period until final maturity of the receivable is expected to be less than one year.

Interest-bearing receivables are presented in the balance sheet at their initially recognised amount, reduced by subsequent repayments and revaluation and discounted using the effective or agreed interest rate.

5.36 Any subsequent increases or decreases in receivables under SAS 5.18 and 5.22 primarily refer to changes in the amount of receivables due to subsequent discounts and rebates, returns of goods or products sold, recognised complaints, and subsequently identified defects.

5.37 Allowances for receivables, for which the organisation assesses that may not be recovered in full are recognised individually for significant receivables, while for other receivables, they may be calculated as a percentage based on past experience and future expectations. Allowances for receivables reduce the carrying amount of receivables and increase revaluation operating expenses, except allowances for receivables from interest and dividends, which increase revaluation financial expenses.

5.38 The foreign exchange rate under this Standard is the reference exchange rate of the European Central Bank. However, for justified reasons, the relevant exchange rate of a commercial bank may also be used.

E Date of Adoption and Effective Date

5.39 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 5 – *Receivables* (2016) and *Position 1 to SAS 5* (2016).

Slovenian Accounting Standard 6 (2024)

INVESTMENT PROPERTY

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of investment property. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 5 -the classification of investment property;
- b) the recognition and derecognition of investment property;
- c) the initial measurement of investment property;
- d) the revaluation of investment property; and
- e) the disclosure of investment property.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 8, 14, 15, 17, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Investment Property

6.1 Investment property is property held to earn rentals and/or to increase the value of a long-term investment.

6.2 Investment property is:

- a) land held for the purpose of increasing the value of a long-term investment and not for sale in the near future in the ordinary course of business;
- b) land for which the organisation has not determined the future use;
- c) buildings owned or leased on one or more operating leases;
- d) buildings that are vacant but held to be leased out under one or more operating leases;
- e) property being constructed or developed for future use as investment property.

6.3 Judgement is needed to determine whether a property qualifies as investment property. An organisation shall define criteria to enable consistent judgement in accordance with the definition of investment property.

b) Recognition and Derecognition of Investment Property

6.4 Investment property shall be recognised as an asset when:

- a) the organisation controls it and it enables organisation to obtain the economic benefits associated with it; and
- b) the cost of the investment property can be measured reliably.

- 6.5 An item of investment property shall be derecognised if it is disposed or permanently withdrawn from use and no future economic benefits are expected from its disposal, or on its transfer to property, plant and equipment or assets held for sale.

a) Initial Measurement of Investment Property

- 6.6 An investment property that qualifies for recognition shall initially be measured at its cost. The cost comprises its purchase price, non-refundable purchase taxes and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, borrowing costs, cost of brokerage commissions and other transaction costs that would not have been incurred if transaction had not been concluded.

Borrowing costs directly attributable to the acquisition of investment property are included in the cost of investment property until it is prepared for use, if this takes more than one year. Cost may also include costs incurred in connection with leases of assets used for the construction, extension, replacement of parts or renovation of investment property (e.g. depreciation of assets) that represent the right to use them.

- 6.7 The cost of a self-constructed property is its cost at the date when the construction or development is complete.
- 6.8 At the commencement of the lease term, the lessee shall recognise an interest in the investment property that represents the right to use it and a lease liability. For the initial accounting measurement of the lessee's right to use investment property and lease liability, the SAS 1.26 shall be applied mutatis mutandis.

- 6.9 The cost of an investment property acquired through an exchange for a non-monetary asset or a combination of monetary and non-monetary assets, where the monetary portion is insignificant in relation to the total cost, is measured at its fair value, unless:

- a) the exchange transaction lacks commercial substance; or
- b) it is not possible to reliably measure the fair value of either the received or the given asset.

An exchange transaction has commercial substance if:

- a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset given; or
- b) the organisation-specific value of the part of the organisation's operations affected by the transaction changes as a result of the exchange; and
- c) the difference in points a) or b) is significant compared to the fair value of the assets exchanged.

To determine the commercial substance of an exchange transaction, the organisation-specific value of the part of the organisation's operations affected by the transaction shall reflect post-tax cash flows.

- 6.10 If the asset received in the exchange is not measured at fair value, its cost is measured based on the carrying amount of the asset given.

An investment property acquired through government grant or donation is recognised at its cost; if the cost is not known, it is recognised at fair value.

- 6.11 For the measurement of investment property after recognition, the organisation shall choose as an accounting policy either: the cost model or the fair value model and shall apply the selected policy to all items of investment property. If the organisation uses the fair value model for investment property, it shall also apply this model to assets representing rights of use. The organisation shall voluntarily

change the chosen accounting policy only when the change results in a more appropriate presentation of transactions, other events or circumstances in the organisation's financial statements.

6.12 Investment property for which the cost model is chosen is measured in accordance with SAS 1.

d) Revaluation of Investment Property

6.13 The revaluation of investment property is a change in its carrying amount due to the application of the fair value model, a decrease in its carrying amount due to impairment, or an increase in their carrying amount due to the reversal of impairment. Impairment of investment property measured using the cost model is governed by SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets.

6.14 The investment property whose fair value can be reliably measured shall, after recognition, be measured at fair value if the organisation has chosen the fair value model.

The gain or loss arising from a change in the fair value of an investment property shall be recognised in profit or loss of the period in which it occurs. The gain or loss shall be recognised in the amount attributable to that period.

6.15 The fair value of investment property is determined in accordance with IAS 16 – *Identification and Measurement of Fair Value*.

d) Disclosure of Investment Property

6.16 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

6.17 For investment property, an organisation shall disclose:

- a) whether it applies the fair value model or the cost model;
- b) the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, if the distinction is challenging;
- c) the extent to which the fair value of investment property is based on a valuation by a certified valuer; if no such valuation was performed, this fact shall be disclosed;
- d) the amounts recognised in profit or loss for rental income from investment property, direct operating expenses (including repairs and maintenance) from investment property that generated rental income during the period, and direct operating expenses (including repairs and maintenance) from investment property that did not generate rental income during the period;
- e) changes in carrying amount from the beginning to the end of the reporting period (due to acquisitions, reclassifications, disposals, depreciation, amortisation, revaluations);
- f) the impact on profit or loss from transfers to accounts of property under SAS 6.27 and 6.28.

6.18 If the fair value model is used for investment property, the organisation shall also disclose reconciliation between the carrying amounts of investment property at the beginning and at the end of the period.

6.19 If the cost model is used for the measurement of investment property, the organisation shall also, disclose:

- a) the depreciation methods used;
- b) the useful lives or the depreciation rates used;

- c) the cost and the accumulated depreciation (including accumulated impairment losses) at the beginning and at the end of the period;
- d) reconciliation of its carrying amount at the beginning and at the end of the period; and
- e) the fair value of the investment property.

- 6.20 If the organisation cannot reliably measure the fair value of investment property, it shall disclose
- a) a description of the investment property;
 - b) an explanation of why fair value cannot be measured reliably; and
 - c) if possible, a range of valuations within which fair value is highly likely to fall.

For the disclosure of investment property acquired through lease SAS 1.44 may be applied mutatis mutandis.

C Key Definitions

- 6.21 This Standard uses some terms which need to be explained in order to define the key concepts.

- a) **Investment property** is property (land or a building—or part of a building—or both) held (by the owner or lessee to earn rental income or to increase the value of a long-term investment or both, but not for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.
- b) **Owner-occupied property** is property held by the owner or lessee in the production or supply of goods or services or for administrative purposes
- c) **Carrying amount** is the amount at which an asset is recognised in the balance sheet.
- d) **Cost** is the amount of cash or cash equivalents paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount, attributed to the asset on initial recognition.
- e) **Borrowing costs** are interest and other costs incurred by an organisation in connection with borrowing of funds to acquire investment property. These costs are those that could have been avoided, if the expenditure on the qualifying asset had not been incurred. They are determined in the amount of actual costs for funds, borrowed specifically to acquire qualifying asset, reduced by any investment income related to temporary investment of those funds, or using a criterion to allocate the costs of general borrowings. The costs of general borrowings are included in cost of a qualifying asset at an interest rate calculated as a weighted average of the interest rates on all borrowings of the organisation, that are outstanding during the period, except for borrowings, borrowed specifically to finance the acquisition of qualifying assets. The inclusion of borrowing costs in cost is suspended for prolonged interruptions in the process of their creation or preparation for use and restarted when the activities resume. The organisation does not begin to allocate borrowing costs to the cost of a qualifying asset until all of the following conditions are met:
 - a) the organisation incurs expenditures for the asset;
 - b) the organisation incurs borrowing costs; and
 - c) the organisation commences activities that are necessary to prepare the asset for its intended use.

An organisation shall cease capitalising borrowing costs when the activities necessary for the asset to be ready for its intended use are completed.

- f) **Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (See SAS 16 – *Identification and Measurement of Fair Value*).

D Clarifications

6.22 Examples of investment property include:

- a) land held more for the purpose of increasing the value of a long-term investment rather than for short-term sale in the ordinary course of business;
- b) land for which the organisation has not yet determined its future use;
- c) a building owned by an organisation, or a building representing the right-of-use asset that is leased out either once or multiple times (sublease);
- d) a building that is vacant but held for rental purposes, either for a single or multiple leases; and
- e) property being constructed or developed for future use as investment property.

6.23 Investment property does not include, for example:

- a) property held for sale in the ordinary course of business or under construction or development for such sale (see SAS 4 *Inventories*), such as property acquired solely for subsequent disposal in the near future or for development and resale;
- b) property constructed or developed for the benefit of third parties (see SAS 4 *Inventories*);
- c) owner-occupied property (see SAS 1 *Property, Plant and Equipment*), including (but not limited to) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property used by employees (with or without payment of rents at market prices) and owner-occupied property awaiting disposal; and
- d) property held under finance leases to other organisations.

6.24 An organisation shall treat property under construction or development for future use as investment property under construction or development. This Standard also applies to existing investment property, development of which has been discontinued and is now continued to be used as investment property in the future.

6.25 For some property, one part is held to earn rental income or to increase the value of long-term investments, while the other part is used for producing or supplying goods or services, or for administrative purposes. If such parts can be sold separately (or separately leased out under finance lease), the organisation accounts for them separately. If the parts cannot be sold separately, the property is treated as investment property only if the part used for producing or supplying goods or services or for administrative purposes, is not significant.

6.26 If a leased property is treated as investment property in accordance with this Standard and the fair value model is used, land and buildings need not be measured separately.

If the carrying amount of investment property will be recovered principally through sale rather than through use, the property is classified as a non-current asset held for sale.

6.27 Transfers to or from investment property accounts shall be made when, and only when, there is a change in use of the property, evidenced by:

- a) the commencement of owner-occupation for transfers from investment property accounts to owner-occupied property accounts;
- b) the commencement of development for sale for transfers from investment property accounts to investment property accounts;

- c) the end of owner-occupation for transfers from owner-occupied property accounts to investment property accounts; or
- d) an operating lease to another party for transfers from inventories accounts to investment property accounts.

6.28 For transfers from investment property accounts measured at fair value to owner-occupied property or inventories, the expected cost of the property for subsequent accounting under SAS 1 or SAS 4 is its fair value at the date of change in use.

If an owner-occupied property becomes investment property that will be measured at fair value, the organisation shall apply SAS 1 until the date of change in use. The organisation shall treat any difference between the carrying amount of a property under SAS 1 and its fair value at that date as a revaluation under SAS 1.

In transfers from inventories to investment property accounts, which will be treated at fair value, any difference between the fair value of the investment property on the transfer date and its carrying amount, as reported under inventories before being classified as an investment property, is recognized in the profit or loss.

When the construction or development of an internally generated investment property to be carried at fair value is completed, any difference between the fair value of the investment property at the date of transfer and its carrying amount shall be recognised in profit or loss.

6.29 A lessee organisation may elect to account for leases of investment property in a manner consistent with that specified in SAS 1.61.

6.30 The gain or loss on the retirement or disposal of investment property shall be determined as the difference between the net realisable value on disposal and the carrying amount of investment property and is transferred to revaluation operating revenue, if the sales value on disposal is higher than the carrying amount, or to revaluation operating expenses, if the carrying amount is higher than the net realisable value on disposal. Consideration given by third parties for investment property that has been impaired, lost or abandoned is recognised in profit or loss when a receivable is established.

6.31 Sometimes an organisation provides additional (ancillary) services to the users of the property. In such cases, it is considered investment property only when such services represent an insignificant part of the arrangement as a whole. Otherwise, it is an item of property, plant and equipment.

E Date of Adoption and Effective Date

6.32 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 6 – *Investment Property* (2016).

Slovenian Accounting Standard 7 (2024)

CASH

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of cash. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 6 -the classification of cash;
- b) the recognition and derecognition of cash;
- c) the initial measurement of cash;
- d) the revaluation of cash; and
- e) the disclosure of cash.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 5, 6, 9, 11, 20, and 22.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Cash

- 7.1 Cash is legal tender used as a medium in the exchange of products and services within a commodity-based economy, market and division of labour. Cash comprises ready cash, deposit money and cash in transit.
- 7.2 Ready cash is cash on hand in the form of bank notes (paper money), and coins.
- 7.3 Deposit money is cash in bank accounts or deposited with another financial institution to be used for payments.
- 7.4 Cash in transit is the cash being transferred from a cash register to a relevant account in a bank or other financial institution, until it is credited to that account with the bank.
- 7.5 Cash is also classified as cash equivalents. They are highly liquid investments that are readily convertible to known amounts of cash, with minimal risk of changes in value. They may include short-term deposits, and bank deposits (e.g. with a maturity up to three months from acquisition) and similar investments that are not intended to become investments, but rather to provide liquidity. Cash equivalents also include low-risk, readily cashable debt securities, which are listed on a regulated market (government bonds, treasury bills, etc.) and readily cashable cheques received.
- 7.6 Cash does not include issued cheques, which are a deductible item of cash, or cash in transit, which is transferred from a bank account to other appropriate accounts, until it is credited to those accounts. Also, an agreed bank overdraft is not considered cash.
- 7.7 Cash in national and foreign currency on hand and in own accounts with banks and other financial institutions is accounted for separately.

b) Recognition and Derecognition of Cash

- 7.8 An item of cash shall be recognised in the books of account and in the balance sheet if:
- a) the organisation controls it enables organization to achieve the economic benefits associated with it; and
 - b) its cost can be measured reliably.
- 7.9 An item of cash shall be recognised in the books of account and in the balance sheet on the basis of relevant documents evidencing it and giving rise to control over rights tied to it.
- 7.10 An item of cash in the books of account and balance sheet shall be derecognised, if the rights tied to it are no longer controlled. They are no longer controlled, if they are exhausted, expired or assigned.

c) Initial Measurement of Cash

- 7.11 An item of cash shall be initially recognised at the amount arising from the relevant document confirming its receipt. An item of cash expressed in foreign currency, when acquired through direct purchase, shall be initially measured at the purchase rate at which it was acquired, and in all other cases, it is measured at the exchange rate on the day of receipt.
- 7.12 The carrying amount of an item of cash is equal to its initial nominal value until the need for its revaluation arises.

d) Revaluation of Cash

- 7.13 The revaluation of cash is a change in its carrying amount; it can be carried out either at the end of or during the financial year. It only arises with cash expressed in foreign currencies, if the foreign exchange rate changed after the initial recognition. AnThe exchange rate change can either increase or decrease the amount initially recorded. However, in the first case, financial revenue related to cash is recognised, while in the second case, financial expenses related to cash are recognised, rather than revaluation financial revenue or revaluation financial expenses.

e) Disclosure of Cash

- 7.14 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 7.15 The organisation shall disclose the components of cash as well as the amounts of agreed bank overdrafts on current accounts, by which the organisation can maintains its current liquidity.

C Key Definitions

- 7.16 This Standard uses some terms which need to be explained and defined:
- a) **Cash in accounting terms** comprises cash, deposit money, cash in transit and cash equivalents. This is a broader consideration of cash, also including those assets that can be readily or in the

near future converted into cash as a means of payment to settle debts or for any other payments without any restrictions.

Agreed bank overdraft is the amount up to which an organisation may, upon agreement with the bank, overdraw its current account. In business finance terms, such loan is part of aggregate available cash.

D Clarifications

- 7.17 Cheques and bills of exchange received for collection and/or own bills of exchange issued may be used as payment instruments by endorsement, i.e. exclusively upon the creditor's approval, which is particularly the case when the debtor is an eminent bank. An organisation may obtain cash on the basis of bills of exchange received for collection and/or own bills of exchange issued; however, the amount of cash received is the nominal amount of bills less interest accrued to maturity and commission charged if a bank agrees to purchase them. The organisation's own bills of exchange issued are actually bank loans obtained on their basis. A bill of exchange received for collection is converted into cash on its maturity on the basis of a payment request presented to the principal debtor or any joint debtor; this shall also be recorded in the books of account.
- 7.18 For the purposes of this Standard, the exchange rate is the reference rate of the European Central Bank, although the relevant commercial bank rate may also be used for valid reasons.

E Date of Adoption and Effective Date

- 7.21 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 7 - *Cash* (2016).

Slovenian Accounting Standard 8 (2024)

EQUITY

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of equity. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 7 -the classification of equity,
- b) the recognition and derecognition of equity,
- c) the initial measurement of equity,
- d) the revaluation of equity, and
- e) the disclosure of equity.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1–7, 9–11, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D) and the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Equity

- 8.1 The total equity of the organisation is its liability to owners which becomes due, if the organisation ceases to operate. The amount of equity shall be adjusted according to the then attainable price for net assets. It is determined by the amounts invested by owners and the amounts generated through operations that belong to the owners. It is reduced by the loss incurred in the course of operation, by purchased own shares and interests and by withdrawals (distributions).
- 8.2 The total equity consists of called-up capital, capital surplus, revenue reserves, revaluation surplus, fair value reserves, retained earnings or retained net loss, and temporarily undistributed net profit or unsettled net loss for the financial year.
- 8.3 Depending on the type of the organisation, nominal capital may appear as:
 - share capital,
 - participating interest, or
 - equity contribution.

Nominal capital is divided into called-up capital and uncalled capital. Uncalled capital shall be deducted from the nominal capital.

Share capital appears in stock corporations, participating interests in other companies, and equity contributions in sole proprietorships.

- 8.4 Share capital is further divided into ordinary share capital, preference share capital and share capital raised through individual share issues.

- 8.5 Capital surplus consists of the amounts acquired by an organisation through payments in excess of the minimum issue price of shares or amounts of founding shares, the amounts in excess of the carrying amount gained on disposal of the previously purchased own shares or interests (share premium), the amounts obtained by an organisation with the issue of convertible bonds or warrant bonds sold at a premium over their nominal value, the amounts of additional paid-in capital by company members with the purpose of acquiring additional rights arising from their shares or interests, amounts of other payments made by the company members on the basis of the articles of association (for example, subsequent contributions by company members), and amounts arising from a simplified decrease in nominal capital by cancellation of shares or interests and amounts arising from the reversal of the general equity revaluation adjustment, and amounts resulting from the termination or reduction of liabilities in a compulsory settlement in excess of the amount of the loss carried forward.

For an acquiring organisation in a jointly managed business combination, capital reserves (paid-in capital surplus) also include amounts arising from the accounting for the business combination using the carrying amounts method of the assets and liabilities of the acquiree.

- 8.6 Revenue reserves are the purposefully retained earnings from previous years, primarily intended for covering potential future losses. These are mandatorily categorized into legal reserves, reserves for own shares or business interests, statutory reserves, and other reserves from earnings.
- 8.7 Retained earnings are the remaining net profit from previous periods, which have not been distributed to the equity holders as dividends or other distributions, nor allocated as a reserve. Retained net loss from previous years refers to losses not covered by the net profit of the financial year or by other accumulated equity components, primarily reserves or retained earnings; as such, the loss reduces total equity.
- 8.8 Revaluation surplus relates to the increase in the carrying amount of land and buildings due to revaluation.

The fair value reserve relates to increases or decreases in the carrying amount of investments, actuarial gains or losses on retirement benefits and the amount of any evidenced gain or loss on the change in the fair value of financial assets measured at fair value through equity that are not part of a hedging relationship.

b) Recognition and Derecognition of Equity

- 8.9 The recognition of individual components of equity for accounting purposes shall be distinguished from the actual recognition of equity as the residual of assets after deducting all liabilities. The total equity amount rarely matches the total market value of shares or the amount for which either the net assets could be sold piecemeal or the organization as a whole could be sold, assuming the principle of going concern.
- 8.10 Nominal capital shall be recognised when the cash and in-kind contributions to the organisation are received and when, on a transitional basis, receivables due from subscribers to shares arise.. The decisive factor for recognition is not the amount of the authorised capital, paid-in capital or outstanding equity, but rather the subscribed capital.
- 8.11 Subscribed but not yet paid-in shares and interests form an integral part of the nominal capital, also recognised in relevant receivables due from shareholders or subscribers to shares or interests.

Own shares and interests purchased from previous owners form part of total equity and shall be deducted from it.

- 8.12 Share premium as a component of capital surplus shall be recognised on the first sale or subscription of shares, as the case may be, regardless of whether or not receivables due from subscribers, on a transitional basis, also arise at that time. Share premium also arises from the resale of previously purchased own shares or interests as the excess of their sales value over their cost or carrying amount. Capital surplus (share premium) shall likewise be recognised in a limited liability company when, at the time of its establishment or of the increase in its nominal capital, the company members pay in the founders' contributions in cash or in kind whose value exceeds their nominal amount.
- 8.13 Revenue reserves shall be recognised when determined by the body preparing the annual report and/or by the resolution adopted by the competent body.
- 8.14 Retained earnings shall be recognised when the resolution on the distribution of accumulated profit for an individual financial year is adopted and after the amounts needed to cover the losses from prior periods, the amounts earmarked for reserves, and the interests of equity holders were excluded. The retained net loss shall be recognised by an organisation when it cannot be covered in full from the reserves, and upon the resolution on its settlement from the cumulative amount of other components of equity, primarily from retained earnings. The retained net loss for the organisation acquirer in a business combination under common control is also increased directly by amounts arising from the accounting for the business combination using the carrying amount method for the assets and liabilities of the acquiree.
- 8.15 Revaluation surplus and fair value reserves shall be recognised on the basis of the revaluation of or measuring assets at fair value at the end of or during the financial year.
- 8.16 A temporary undistributed net profit or temporary unsettled net loss for a financial year shall be recognised on the basis of the necessary calculations for the financial year.
- 8.17 Individual components of total equity shall be derecognised in the books of account and in the balance sheet when they were used up for justified reasons.

c) Initial Measurement of Equity

- 8.18 Nominal capital and capital surplus (share premium) arise from cash and in-kind contributions to the organisation and, on a transitional basis, from receivables due from subscribers.
- 8.19 The nominal capital shall be decreased by the minimum issue value of the purchased and subsequently cancelled own shares or interests. If they were purchased at a higher price, other components of total equity shall be decreased by the difference at the same time. When the shares were purchased at a lower price, capital surplus shall be formed by the difference. When the cancelled own shares or interests were acquired free of charge, or the shares were cancelled against net profit or retained earnings, or against statutory reserves or other revenue reserves, capital surplus shall be increased by the amount equal to the decrease in the nominal capital (to the extent of the issue price of own shares or own interests).

d) Revaluation of Equity

- 8.20 The revaluation of equity is a change in its carrying amount resulting from the revaluation of land and buildings or measurement of investments at fair value. The accrual of new contributions, withdrawals, distributions and amounts arising from the current net profit or loss are not considered to be revaluation.

- 8.21 A revaluation surplus results from an increase in the carrying amount of land and buildings; it shall be recorded separately in terms of accrual. It enables organisation to cover subsequent reductions in the carrying amount of land and buildings.
- 8.22 Reserves formed for the valuation of investments at fair value arise from the measurement of investments at fair value and are adjusted for changes in fair value. They are reversed directly in the balance sheet through retained earnings or loss.

e) Disclosure of Equity

- 8.23 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 8.24 For each class of share capital the following shall be disclosed:
- a) the number of shares issued and fully paid, and the number of issued but not fully paid shares;
 - b) the characteristics of shares (rights, preferences and restrictions attached to shares of each class), including restrictions on the distribution of dividends;
 - c) the issue of new shares, reverse split of shares, split of shares, cancellation of shares and changes in the characteristics of shares;
- 8.25 An organisation shall describe the nature and purpose of all types of reserves.
- 8.26 An organisation shall disclose the amount of dividends on cumulative and/or preference shares that have not yet been paid out.
- 8.27 An organisation shall also disclose any other material data and information relating to the position of and changes in the components of equity.

C Key Definitions

- 8.28 This Standard uses some terms which need to be explained and defined.
- a) **Total equity** is the capital with which the owners finance the organisation. In the case of public limited companies, it may also be referred to as shareholders' equity, i.e. the equity belonging to the shareholders and has several components, including nominal capital, i.e. the share capital that determines the ownership of the organisation.
 - b) **Authorised capital** is the amount of equity specified in the articles of association up to which the management may increase the share capital, subject to the approval of the supervisory board. The authorised capital shall not be recognised in the books of account and in the balance sheet, but it shall only be disclosed in the notes to the balance sheet.
 - c) **Subscribed capital** is, in a public limited company, the value of shares issued; in the books of account and in the balance sheet it shall be recognised as nominal capital regardless of whether or not the shares have been paid-in.

- d) **Paid-in capital** is, in a public limited company, the difference between the subscribed shares and the shares not yet paid; in a limited liability company it is the difference between the subscribed capital and the capital shares that have not yet been paid.
- e) **Outstanding equity** is, in a public limited company, the difference between the subscribed equity and the repurchased own shares. It may also be referred to as outstanding share capital.

Ordinary shares are part of share capital. Their owners are entitled to participate in the governance of the organisation. Ordinary shares participate in the net profit of the organisation only after the dividends on preference shares have been paid.

Preference shares are part of share capital. Their owners are usually not entitled to participate in the governance of the organisation. If the net profit is sufficiently high, dividends on preference shares are paid at a specified percentage or amount.

- f) **Retained earnings** are the retained net profit that has not been distributed yet.

D Clarifications

- 8.29 When nominal capital is increased by contributions in kind during the year, these shall be recognised as assets at the date of their receipt.

Contributions in cash or in kind shall be recorded as liabilities until the date of entry of the equity into the court register. Nominal capital is increased on the date of entry into the court register, and this is also the date, the increase shall be recognised in the books of account.

- 8.30 Own shares or interests acquired shall be deducted from equity. No gain or loss on the purchase, sale, issue or cancellation of own shares and interests shall be recognised in the income statement; all differences shall be charged to equity.
- 8.31 Liabilities associated with dividends shall not be recognised as a component of equity, but as financial liability, as soon as the net profit is distributed. Only the undistributed net profit, before it is distributed to shareholders, allocated to reserves or otherwise applied, is a component of equity.
- 8.32 All other components of total equity other than share capital belong to the owners of the organisation's nominal capital in proportion to their ownership interests in the nominal capital.

E Date of Adoption and Effective Date

- 8.33 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 8 – *Equity Capital* (2016).

Slovenian Accounting Standard 9 (2024)

LIABILITIES

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of operating and financial liabilities. It deals with:

- a) From the date on which this Standard comes into effect, organisations shall cease to apply SAS 8 -the classification of liabilities;
- b) the recognition and derecognition of liabilities;
- c) the initial measurement of liabilities;
- d) the revaluation of liabilities; and
- e) the disclosure of liabilities.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 8, 14, 15, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Liabilities

- 9.1 Liabilities are recognised liabilities relating to financing of own assets to be repaid or settled, mainly in cash.
- 9.2 Liabilities may be either financial or operating. Financial liabilities arise because the lenders' input of cash into an organisation or because cash is used to repay organisation's operating liabilities; operating liabilities arise because the suppliers' input into an organisation of elements needed in the creation of products, rendering of services or sale of merchandise. There are also liabilities, assumed from other parties.
- 9.3 Financial liabilities comprise loans obtained under loan contracts and debt securities issued, except cheques issued, which are treated as a deductible item of cash. A subcategory of financial liabilities includes deposits received and liabilities due to lessors, unless the lease is recognised as an asset in accordance with SAS 1.61. In such cases, lease payments related to such a lease are recognised as costs of services on a straight-line or other systematic basis. In this case, the lease liabilities are classified as operating liabilities to lessors.
- 9.4 Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, liabilities to providers of funds arising from interest and similar items, liabilities to the state arising from public charges imposed by laws and other regulations as mandatory. These include taxes, contributions, excise duties, and other compulsory public levies.

A subcategory of operating liabilities includes liabilities to customers for advances received and liabilities to customers for received collaterals.

- 9.5 Liabilities are classified as liabilities to group companies and liabilities to others. Liabilities are also broken down into those involving banks and other legal and natural persons as providers of funds.
- 9.6 The value of liabilities may be hedged by appropriate derivative financial instruments classified as investments or financial liabilities.

b) Recognition and Derecognition of Liabilities

- 9.7 A liability shall be recognised in the books of account and in the balance sheet if:
- a) its settlement will result in a reduction of assets (economic resources), that enable economic benefits to the organisation; and
 - b) the amount for its settlement can be measured reliably.
- 9.8 A financial or operating liability shall be recognised in the books of account and in the balance sheet when, considering the contractual date or the date of cash receipts or related statements of accounts, the obligation arises under a contract or other legal act.
- 9.9 Liabilities shall be derecognised in the books of account and in the balance sheet, if the liability as defined in an agreement or other legal act is fulfilled, annulled or barred by limitation (and the organisation does not intend to settle it).
- 9.10 An exchange between a borrower and lender of debt instruments with substantially different provisions shall be a cancellation of the old debt resulting in the derecognition of that debt and recognition of a new debt instrument. A significant change in the provisions of an existing debt instrument (due to financial difficulties of the debtor) shall be treated as a change in the old debt.

c) Initial Measurement of Liabilities

- 9.11 Liabilities are initially measured at the amounts arising from the relevant documents of their origin.
- 9.12 Liabilities shall be increased by accrued interest and decreased by amounts paid and any other settlements, if Liabilities may also be directly increased or decreased, regardless of payment or other settlements, if an agreement exists with the creditor (e.g. subsequent discounts, agreed at the time of the transaction; returns of goods sold and recognised complaints and subsequently identified defects). When purchasing on a deferred payment basis and when the contractual time for payment is exceeded, the portion of the debt related to interest is treated as financial expense, not as part of the value of the purchased goods or services.

Subsequent reductions of liabilities (except for advances and collaterals received) in accordance with an agreement with creditors (such as subsequent discounts, returns of goods bought and acknowledged complaints and subsequently identified defects), but not by payments made or other settlements, reduce the corresponding items of assets, costs or expenses.

- 9.13 Liabilities related to the issue of debt securities shall be recognised when the first customers pay the debt.
- 9.14 In an exchange of a liability, the difference in the recognised amount shall be recorded as financial revenue or financial expense. This is also the case when a financial liability is transferred or assigned to another person.

- 9.15 Borrowing costs related to liabilities are financial expenses, unless they are included in the cost of property, plant and equipment and of intangible assets, or in inventories of products and work in progress.
- 9.16 Liabilities are normally measured at amortised cost using the effective interest method.

d) Revaluation of Liabilities

- 9.17 Liabilities denominated in a foreign currency shall be translated into national currency using the exchange rate at the balance sheet date.

An increase in liabilities due to foreign exchange rate differences increases financial expenses and a decrease in liabilities due to exchange rate differences increases financial revenue.

e) Disclosure of Liabilities

- 9.18 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 9.19 An organisation shall disclose the maturity breakdown for each group of liabilities.
- 9.20 The following information shall be disclosed for each group of liabilities:
- a) the exposure to different types of risks; and
 - b) the extent and type of hedging financial instruments.

C Key Definitions

- 9.21 This Standard uses some terms which need to be explained in order to define the key concepts.
- a) **A liability** is a present obligation of an organisation, based on past events, to transfer assets (economic resources) of the organisation.
 - b) **A long-term liability** is a liability which, in accordance with a contract or other legal act, is expected to be settled within a period of more than one year.
- A short-term liability** is a liability which, in accordance with a contract or other legal act, is expected to be settled within one year or that is already due for payment at the balance sheet date.
- c) **The operating cycle of an organisation** is the period from the acquisition of assets for processing to their realisation in cash or cash equivalents. If the organisation's operating cycle is not clearly defined, its duration is assumed to be twelve months. However, in organisations where the operating cycle exceeds one year, liabilities (receivables) with a maturity of more than one year shall also be classified as short-term. This classification shall also be taken into account when preparing the balance sheet.
 - d) **Crediting** implies a lending arrangement that allows the debtor to receive a product, goods or services on deferred payment or deferred counter delivery.

- e) **Lending** implies providing of cash or other substitute items, with the obligation of the the debtor to return the same amounts of cash or the same quantities of substitute items after a specified period.
- f) **Collateral** is a substitute asset pledged by a debtor to a creditor as a guarantee that obligation will be fulfilled. The debtor shall carry the collateral under the receivables, while the creditor records the received collateral as a liability, payable upon the settlement of the receivable. If the creditor is restricted in selling or repledging the collateral due to the debtor's right and ability to purchase the pledged collateral at short notice, the creditor does not record the collateral in its balance sheet, but only in an off-balance-sheet records.
- g) **An advance received** is an amount of cash paid by a customer to a supplier for future deliveries of goods, merchandise or services. It is a liability owed by the supplier to the customer.
- h) **A financial instrument** is any contract that gives rise to a financial asset of one organisation and a financial liability or equity instrument of another organisation. A financial asset is any asset that is
 - a) cash;
 - b) a contractual right to receive cash or another financial asset from another organisation;
 - c) a contractual right to exchange financial instruments with another organisation under conditions that are potentially favourable;
 - d) an equity instrument from another organisation; or
 - e) a contract that may or will be settled in the organisation's own equity instruments.

A financial liability is any liability that is a contractual obligation:

- a) to deliver cash or another financial asset;
- b) to exchange financial instruments with others under conditions that are potentially unfavourable; or
- c) a contract that may or will be settled in the organisation's own equity instruments.

An equity instrument, however, is any contract that evidences a residual interest in the assets of an organisation after deducting all of its liabilities.

- i) Securities are transferrable negotiable documents with which the issuer pledges to fulfil the stated obligation to their rightful owner. Equity securities are issued by an organisation in association with its equity, while debt securities are issued by an organisation in association with its liabilities.

The amortised cost of a liability is the amount at which the liability is measured on initial recognition, reduced by principal repayments, plus or minus the accumulated amortisation (using the effective interest method) of any difference between that initial amount and the maturity amount.

D Clarifications

- 9.22 Non-interest-bearing liabilities of significant values shall be recognised in the balance sheet at their discounted amount, taking into consideration the average interest rate achieved by the organisation in comparable transactions. Such liabilities do not need to be discounted if, at the commencement of the debt relationship, the period to the final maturity of the debt is less than one year.

Liabilities that bear interest and where the actual or agreed interest rate does not materially differ from the effective interest rate shall be recognised in the balance sheet at their initial amounts less repayments.

- 9.23 An obligation is something that, according to certain norms and regulations, has to be done, has to be performed, and which an organisation has no practical means to avoid; as such, it is not necessarily subject to accounting treatment or presentation in the balance sheet. A liability is a present obligation of an organisation, arising from past events, to transfer the assets (economic resources) of the organisation. A debt is something that has to be repaid or settled, especially in cash.
- 9.24 Liabilities arising from supplier credits are liabilities to suppliers for deferred payment of goods and/or services purchased from them.
- 9.25 Liabilities in the form of bonds are liabilities with fixed repayment terms or terms for the repayment of the principal amount of an undrawn loan with an unchanging interest rate on the outstanding loan.
- 9.26 The foreign exchange rate under this Standard is the reference rate of the European Central Bank. However, for justified reasons, an appropriate exchange rate of a commercial bank may also be used.
- 9.27 Long-term liabilities are liabilities that are ultimately due for payment in a period exceeding one year. In the balance sheet, long-term liabilities that are already due (but not yet settled), as well as those due within one year from the balance sheet date, are recorded as short-term liabilities.

If an organisation has a liability from an existing loan that is due to be settled in less than 12 months but has the right to refinance or extend the repayment term for at least 12 months after the reporting period, and intends to do so, such a liability is classified as long-term. However, if the organisation is not in a position to decide whether to refinance or extend the repayment term (e.g. if no refinancing agreement exists), the organisation disregards the refinancing possibility and classifies the liability as short-term.

If an organisation has a liability from an existing long-term loan and breaches a provision in the loan agreement before or at the end of the reporting period, causing the liability to become payable on demand by the lender, the liability is classified as short-term. This holds true even if the lender agrees after the reporting period but before the approval of financial statements for publication not to demand repayment due to the breach. The organisation classifies such a liability arising from an existing loan as long-term only if the lender, before or by the end of the reporting period, grants a grace period of at least twelve months after the reporting period, in which the lender cannot demand immediate repayment and organization is able to remedy the breach of the loan agreement.

E Date of Adoption and Effective Date

- 9.32 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 9 - *Long-term Liabilities* (2016).

Slovenian Accounting Standard 10 (2024)

PROVISIONS

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of provisions. It deals with:

- a) the classification of provisions;
- b) the recognition and derecognition of provisions;
- c) the initial measurement of provisions;
- d) the revaluation of provisions; and
- e) the disclosure of provisions.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 11, 13, 14, 15, 20, 21, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Provisions

10.1 Provisions are made by an organisation for its present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount of the obligations. They may be recognised as liabilities in broader sense, because they differ from equity.

Organisations that are micro or small companies and organisations that are not companies and are not subject to statutory audits, may decide not to make and account for provisions for jubilee benefits and termination benefits upon retirement.

10.2 The purpose of provisions is to accumulate amounts, in the form of accrued costs or expenses, that will enable coverage of future expenses (transfers of economic benefits) to settle obligations. Such provisions include, but are not limited to, provisions for restructuring, expected losses from onerous contracts, jubilee benefits and termination benefits upon retirement.

10.3 Provisions are created through one or multiple charges to the relevant costs or expenses.

10.4 Contingent liabilities shall not be recognised as provisions.

b) Recognition and Derecognition of Provisions

10.5 Provisions shall be recognised in the books of account and in the balance sheet if:

- a) there is a present obligation (legal or constructive) as a result of a past event (obligating past event);
- b) it is expected that a transfer of assets, which enable the economic benefits to flow to the organisation, will be required to settle the obligation; and

- c) the amount of the obligation can be reliably measured.

An obligation is something that, according to certain norms and regulations, has to be done or performed, and for which the organisation has no practical means to avoid. In rare cases, it may not be clear whether the organisation has a present obligation. In such cases, it is considered that the past event creates a present obligation if, based on all available evidence, it is more likely than not that a present obligation exists at the balance sheet date. The organisation recognises a provision for such a present obligation if the other two criteria b) and c) in the preceding paragraph are also met.

More likely than not means that there is a probability greater than 50 per cent that the obligation of the organisation exists. If it is more likely than not that the present obligation does not exist, the organisation discloses a contingent liability. The organisation shall also disclose a contingent liability in rare cases where the amount of the obligation cannot be reliably estimated.

- 10.6 Provisions shall be recognised in the books of account and in the balance sheet by accruing the relevant costs or expenses if it is probable that related expenditures will arise in the future, and a provision is needed to cover them.
- 10.7 The recognition of provisions in the books of account and in the balance sheet shall be reversed when the conditions that created the need for the provisions have already been exhausted, or when there is no longer a need for them.
- 10.8 Provisions should only be used for the same type of items for which they were initially recognized, but in justified cases, they may also be used for items of a same type. Such a case is the use of provisions for warranties provided on the sale of products or services rendered, which were charged against operating expenses.

c) Initial Measurement of Provisions

- 10.9 The amount recognised as a provision is the best estimate of the expenditure required to settle the present, usually long-term obligations at the balance sheet date. In determining the best estimate of the provision, risks and uncertainties that inevitably accompany events and circumstances shall be taken into account. The provision is therefore equal to the present value of the expenditures expected to be required to settle the obligation. If the effect of the time value of money is significant, the expected expenditure shall be appropriately discounted to their present value.
- 10.10 Gains from the expected disposal of assets shall not be taken into account in measuring the provision. If it is expected that some or all of the expenditures required to settle obligations will be reimbursed by another party, the provision costs are recognised net of such reimbursements. Reimbursements shall be recognised when, and only when, their receipt is virtually certain if organisation settles the obligation. The reimbursement is treated as a separate asset, and its amount shall not exceed the amount of the provision.
- 10.11 Provisions shall not be recognised for unfulfilled contracts, unless the contract is onerous. Unfulfilled contracts are contracts where neither party has fulfilled any of its obligations, or both parties have partially fulfilled their obligations to an equal extent. In the case of an onerous contract, the portion of the contract obligation that exceeds the economic benefits expected from the contract shall be recognised and measured as a provision.

Provisions shall not be recognised for future operating losses for which there are no present obligations. However, the expectation of losses from future operations may indicate that some assets may be impaired.

- 10.12 A restructuring provision includes only the direct expenditures arising from the restructuring, i.e. those caused by the restructuring itself and not associated with the ongoing operations. Provisions shall be recognised after the restructuring plan has been adopted, when implementation of the plan begins or when those affected have been informed that the organisation will carry out the restructuring.
- 10.13 The provisions for accrued costs or expenses shall be decreased directly by expenditures for which they were made. This means that the use of provisions does not result neither in the recognition of costs or expenses, for which they were recognised,, nor in the recognition of revenue to cover for these costs or expenses.-The only exception are provisions for losses expected from onerous contracts, which are transferred to operating revenue in the accounting periods in which the costs or expenses for which the provisions were created, are incurred.
- 10.14 The carrying amount of provisions is equal to their originally recognised amount, less the amounts used, until the need arises to increase or decrease them.

d) Revaluation and Measurement of Changes in Provisions

- 10.15 Provisions shall not be revalued.
- 10.16 At the end of an accounting period, due to changes in estimates, the provisions shall be adjusted so that their value reflects the amount of expenditure that are expected to be required to settle the obligation. If the effect of the time value of money is material, the expected expenditure shall be appropriately discounted to their present value.
- 10.17 Provisions for a specific purpose shall be increased in accordance with SAS 10.5 if, based on estimates, they are expected to be insufficient to cover the relevant expenditures in future years. Their carrying amount and the relevant costs/expenses should be increased by this shortfall.
- 10.18 Provisions for a specific purpose shall be decreased in accordance with SAS 10.5 if, based on estimates, they exceed the expected expenditures in future years. Their carrying amount shall be reduced and the relevant revenue increased by the surplus.
- 10.19 At the end of the period for which the provision was made, its total unused amount shall be transferred to the relevant revenue.
- 10.20 Actuarial gains and losses related to obligations for termination benefits upon retirement are not recognised in profit or loss but directly in equity within the fair value reserve arising from the measurement at fair value.

d) Disclosure of Provisions

- 10.21 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 10.22 For each type of provisions the following shall be separately disclosed:
- a) the reasons and conditions for their formation;
 - b) the methods used and significant assumptions used in estimating their justified amounts; and
 - c) the handling of the resulting differences.

C Key Definitions

10.23 This Standard uses some terms which need to be explained and defined.

- a) **A provision** is a liability that is based on a present obligation, the timing and/or amount of settlement of which are uncertain, and it meets the criteria of SAS 10.5.
- b) **A liability** is a present obligation of an organisation based on past events, for the transfer of the assets (economic resources) of the organisation.
- c) **An obligating event** is an event that creates a legal or constructive obligation, leaving the organisation with no realistic alternative but to settle such an obligation.
- d) **A legal obligation** is an obligation that derives from:
 - a) a contract;
 - b) laws;
 - c) other operation of law.
- e) **A constructive obligation** is an obligation on the basis that derives from the following actions:
 - a) by an established pattern of practice, published policies or a sufficiently specific current statement the organisation has indicated to other parties that it will accept certain responsibilities; and
 - b) the organisation has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
- f) **A contingent liability** is:
 - a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation; or
 - b) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.
- g) An onerous contract is a contract in which the unavoidable costs of meeting the contractual obligations established at the end of the financial year exceed the economic benefits expected to be received under it.
- h) A restructuring is a programme that is planned and controlled by management, and materially changes either:
 - a) the scope of a business undertaken by an organisation; or
 - b) the manner in which that business is conducted.

D Clarifications

10.24 Provisions differ from other liabilities because they are uncertain in terms of the timing or amount of the future expenditure required for settlement.

- 10.25 If a present obligation is not unequivocally evident, a past event gives rise to a present obligation if, considering all available evidence, it is more likely than not that a present obligation exists as of the balance sheet date.
- 10.26 Only obligations arising from past events and not dependent on organisation's future operations are recognized as provisions. An obligation always involves a counterparty to whom the obligation exists, but this counterparty does not need to be specifically identified, as it may exist in relation to the public at large.
- 10.27 In almost all cases, it is clear whether a past event has resulted in a present obligation. Rarely, for example in court proceedings, it may be disputed whether certain events occurred and whether they resulted in a present obligation. In such a case, the organisation determines whether a present obligation exists at the balance sheet date by considering all available evidence, including, for example, expert opinions. The evidence considered also includes any additional evidence arising from events after the reporting period. Based on such evidence, an organisation recognises a provision when it is more likely than not that a present obligation exists at the balance sheet date, and the criteria in b) and c) of SAS 10.5 are also met.
- 10.28 The use of estimates is an important part of preparing financial statements and does not reduce their reliability. This is particularly true for provisions, which are inherently more uncertain than most other balance sheet items. Except in extremely rare cases, an organisation can determine a range of possible outcomes and estimate the amount of the obligation reliably enough to recognise a provision. When forming provisions, consistent judgment is applied regarding the likelihood of future costs as well as future losses (in the case of onerous contracts). The evaluation of uncertainty considers experience in similar circumstances and expert opinions.

If the organisation has acted in accordance with the previous paragraph, the amount of provisions is considered to have been reliably estimated.

Future events that may affect the amount required to settle the obligation shall be reflected in the amount of the provision, if there is sufficient concrete evidence that they will occur.

- 10.29 The existing liabilities for dismantling and restoration and similar liabilities, including those arising from changes in the discount rate, as well as the effects of such changes, shall be added to or deducted from the cost of the relevant item of property, plant and equipment to which such obligations relate and are amortized over its useful life. The provisions shall be remeasured at the balance sheet date.
- 10.30 Provisions shall also be made for long-term employee benefits, such as jubilee benefits and termination benefits upon retirement. These long-term benefits have the nature of predetermined rights.
- 10.31 On the balance sheet date, the organisation shall determine and recognise in the income statement revenue, costs or expenses related to the restatement of provision for retirement benefits, including:
- the amount of additional provisions formed for current service costs related to current year termination benefits;
 - the amount of increases or decreases in previously formed provisions in the event of the introduction or modification of a programme (change in the past service cost);
 - accrued interest related to provisions (as an additional expense of provisions);
 - the effects of any limitation or reductions in provision for termination benefits upon retirement.

Actuarial gains and losses related to termination benefits upon retirement are not recognised in profit or loss but directly in equity, under fair value reserves. The fair value reserve arising from this may also be negative. Reserves made for this purpose are reversed (i.e. transferred) to retained earnings

or loss on a pro rata basis when provisions for the termination benefits upon retirement have been exhausted for employees, who have retired.

10.32 On the balance sheet date, the organisation shall determine and recognise in the income statement revenue or expenses, related to the restatement of provisions for jubilee benefits.

Provisions are reduced directly for liabilities incurred related to the expenditures for which they were created. Therefore, when provisions are utilized, the related costs or expenses no longer appear in the income statement.

E Date of Adoption and Effective Date

10.37 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 10 – *Provisions* (2016).

Slovenian Accounting Standard 11 (2024)

ACCRUALS AND DEFERRALS

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of both short- and long-term deferred revenue and costs or expenses and short- and long-term accrued costs or expenses and a specific class of receivables or debts. It deals with:

- a) the classification of accruals and deferrals;
- b) the recognition and derecognition of accruals and deferrals;
- c) the initial measurement of accruals and deferrals;
- d) the revaluation of accruals and deferrals; and
- e) the disclosure of accruals and deferrals.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 2, 5, 10, 12, 14, 15, 20, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Accruals and Deferrals

- 11.1 Accruals and deferrals may either be deferred costs and accrued revenue or accrued costs and deferred revenue. The former may be construed as receivables in a broader sense, whereas the latter may be considered liabilities in a broader sense. They include deferred revenue and costs or expenses, accrued costs or expenses and accrued revenue as specific classes of receivables or liabilities.
- 11.2 The accruals and deferrals to be used in one year or less shall be defined as short-term, whereas the accruals and deferrals that will be used for a longer period of time shall be defined as long-term.
- 11.3 Deferred costs and accrued revenue comprise deferred costs or deferred expenses and accrued revenue that shall be recognised separately and classified into major categories.
- 11.4 Accrued costs and deferred revenue comprise accrued costs or accrued expenses and deferred revenue that shall be carried separately and classified into major categories.
- 11.5 Deferred costs or deferred expenses are amounts of outflows of assets (economic resources) or increases in liabilities that, when incurred, do not yet burden the organisation's activity and do not yet affect profit or loss; they will be only later included in the cost and allocated to relevant products or services as cost units, or they will later as expenses directly affect profit or loss or will be included in the cost of assets. Deferred costs or deferred expenses arise primarily when performance obligations that have already been paid or billed for are not yet fulfilled, involve a promise of a series of distinct goods or recurring services that are substantially the same, have the same pattern of transfer to the customer, and are delivered/performed gradually over several accounting periods.

Specific types of deferred expenses include:

- capitalized costs of obtaining a contract with a customer or lessee that will be realised in one or more future accounting periods, but the costs would not have been incurred, if the contract had not been obtained (e.g. costs of a commission to a broker who brokered the deal);
- capitalised costs to settle performance obligations under a contract with a customer that will be realised in one or more future accounting periods but are not capitalised in some other form (e.g. as inventories of products or property, plant and equipment); and
- an asset arising from the deferral of expenses related to the sale with the right to return.

11.6 Accrued costs or accrued expenses arise from straight-line burdening of the activity or profit or loss, as well as inventories with costs or expenses that have already been incurred and are therefore already charged to activity or already affect profit or loss, although the organisation will receive invoices for them later or the outflow of assets (economic resources) relating to them will occur at a later time.

11.7 Deferred revenue arises primarily from outstanding performance obligations that have already been billed or paid for and that involve the promise of a series of distinct goods or recurring services that are substantially the same, have the same pattern of transfer to the customer, and are to be performed gradually over a number of accounting periods. In this case, they are not normal liabilities to customers that would be treated as advances received. Deferred revenue also includes liabilities arising from the deferral of revenue on a sale with the possibility of repayment.

Deferred revenue also includes government grants and donations received for the acquisition of fixed assets or to cover certain costs, if or until they are incurred. They are intended to cover the costs of depreciation of those depreciable assets or certain costs and are used by transfer to operating revenue, in accordance with the incurrence of costs or expenses for which they were received. They are generally of a long-term nature.

11.8 Accrued revenue arises when the profit or loss justifiably includes also revenue for which payment has not yet been received and which could not be charged yet.

11.9 Contingent receivables or contingent liabilities shall not be treated as deferred costs and accrued revenue or accrued costs and deferred revenue. An organisation shall monitor them in off-balance sheet records.

b) Recognition and Derecognition of Accruals and Deferrals

11.10 An item of deferred costs and accrued revenues shall be recognised in the books of account and in the balance sheet if:

- a) it is a present right over which the organisation has control and which enables it to obtain economic benefits; and
- b) its value can be measured reliably.

An item of accrued costs and deferred revenue shall be recognised in the books of account and in the balance sheet if:

- a) it is a present obligation of the organisation, based on past events, to transfer the assets (economic resources) of the organisation; and
- b) its value can be measured reliably.

11.11 Deferrals and accruals shall be recognised in the books of account and in the balance sheet if it is reasonable to assume that such revenue and costs or expenses will actually be incurred or have been incurred in the period for which they have been formed.

- 11.12 For no item of accrued costs or expenses shall be assumed, at the time of recognition, that the actual outflows of assets (economic resources) will be less than the amount that may reasonably be expected for the period for which they have been formed. Similarly, for any item of deferred income, it shall not be assumed that actual revenue will be higher than the deferred revenue or that the costs they are expected to cover will occur after the period for which they have been formed.
- 11.13 For no item of deferred costs or deferred expenses shall be assumed, at the time of recognition, that the actual costs, which can reasonably be expected for the period for which they are recognized, will be higher than the deferred amount or that they will occur after the period for which they have been formed. Similarly, for any item of accrued revenue, it shall not be assumed, at the time it arises, there is already a legal or natural person who should be burdened with it, or that the actual amount will be less than the accrued amount that has already been considered in determining profit or loss.
- 11.14 Accruals in respect of government grants and donations received for the acquisition of fixed assets are made for the amounts of government grants or donations that have been used to acquire fixed assets on a non-repayable or free-of-charge basis.
- 11.15 The recognition of accruals and deferrals in the books of account and in the balance sheet shall be reversed when the resulting opportunities have been exhausted or there is no longer a need for accruals and deferrals.
- 11.16 Accruals and deferrals may be used only for the items for which they were originally recognised.

c) Initial Measurement of Accruals and Deferrals

- 11.17 At the balance sheet date, the reality (appropriateness) of deferred costs and accrued revenues has to be justified, and accrued costs and deferred revenue shall not hide any reserves. Their placement in real terms adjusts the previously recorded expenses, costs, and revenues for which they originally arose.
- 11.18 Deferred costs or expenses are converted to accrued costs or expenses when the organisation receives the services or goods to which they relate, or when related inflows of economic benefits arise. On the other hand, accrued costs or expenses later cover the actual outflows of assets (economic resources) related to them, so that in the financial year of the actual outflow, they no longer appear in the income statement.

Deferred revenue is converted into accrued revenue when the organisation performs the services or delivers the goods to the customer, or when an entitlement to include them into income statement arises or when the costs for which were deferred need to be covered. Organisation shall cease to recognise accrued revenue as soon as the relevant receivable is recognised or payment has been received.

- 11.19 Deferred revenue shall be transferred to operating revenue in the financial year in which the costs or expenses, for the coverage of which they were recognised, occur.

d) Revaluation of Accruals and Deferrals

- 11.20 Accruals and deferrals shall not be revalued.

However, when preparing financial statements, the appropriateness and reasonableness of their amounts shall be reviewed.

e) Disclosure of Accruals and Deferrals

11.21 Organisations not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

11.22 For each type of accruals and deferrals the following shall be disclosed:

- a) the reasons for their formation; and
- b) the methods, significant assumptions and estimates used in their valuation.

C Key Definitions

11.23 This Standard uses some terms which need to be explained in order to define the key concepts.

- a) **Deferred costs** are the amounts of outflows of assets (economic resources) that will only subsequently burden the activity or as costs affect the value of emerging products and services as cost units.
- b) **Deferred expenses** are the amounts of outflows of assets (economic resources) that will only subsequently affect profit or loss as expenses, without being held in inventories of products and work in progress.
- c) **Accrued costs** are the costs that have already been charged to the activity or have been allocated to products and services as cost units, even though the organisation will receive the invoices for them later or the outflow of assets (economic resources) relating to them will occur later.
- d) **Accrued expenses** are the expenses that already affect profit or loss, even though the outflow of assets (economic resources) relating to them will occur in the future.
- e) **Deferred revenue** are the amounts of inflows of assets (economic resources) that will only later affect the profit or loss as revenue.
- f) **Accrued revenue** is the revenue that already affects profit or loss, even though it has not been paid yet, and could not have been charged yet.
- g) **A contingent liability** is:
 - a) a possible obligation arising from past events, the existence of which depends on the occurrence (or non-occurrence) of one or more uncertain future events that the organization cannot fully control; or
 - b) a present obligation arising from past events, but is not recognised because it is unlikely that the outflow of assets (economic resources) that generate economic benefits will be required to settle the obligation, or because its amount cannot be measured reliably.
- h) **A contingent asset** is a possible asset arising from past events, the existence of which depends on the occurrence or non-occurrence of one or more uncertain future events that the organisation cannot fully control.

D Clarifications

- 11.24 Operating current assets used in the preparation of production include, in addition to assets in tangible form, assets in the form of short-term deferred costs that are calculated as costs or expenses of the period proportionally to their participation in generating products and services and their distribution in the accounting period.
- 11.25 Amounts received in an accounting period for products, merchandise, or services that will be delivered or performed, and invoiced only in a subsequent accounting period, shall be carried as advances received. Deferred revenue, instead of liabilities for advances received, shall arise only for services provided over several months and where the payer cannot withdraw from the contract (e.g. collected tuition fees).
- 11.26 Government grants are amounts received by an organisation from the state or a local authority directly from the budget, through state or local authorities or through other budget users for specific purposes. Government grants are sometimes referred to as subsidies or aids.

Amounts received in transactions between the providers of public funds and the organisation that cannot be distinguished from ordinary commercial transactions are not considered government grants. Government grants are not recognised until there is reasonable assurance that the organisation will comply with the conditions attached to it and that the grant will be received. Contingent government grants are recognised in operating revenue only when the conditions attached to them are met.

Deferred revenue from government grants received for acquiring fixed assets is utilised by transferring it to operating revenue in accordance with the charged depreciation of these assets. Deferred revenue from government grants received to cover other costs is utilised by transferring it to operating revenue in accordance with the occurrence of the costs for which the grants were received.

Government grants to cover costs or expenses that have already been incurred are recognised in operating revenue in the period in which they are received or when the conditions for recognising receivables or deferred costs and accrued revenue related to them are met.

Unconditional government grants relating to biological assets measured at fair value less costs to sell are recognised in operating revenue in the period to which they relate.

- 11.27 Donations are amounts of money, rights or things received by an organisation from natural or legal persons without any obligation to repay, and do not relate to payments for goods or services sold by the organisation to those persons. Accrued costs and deferred revenue arising from donations received for the acquisition of fixed assets are used in accordance with the accumulated depreciation of those assets, and accrued costs and deferred revenue arising from donations received for the recovery of specific costs are used in accordance with the occurrence of those costs. Undesignated donations are not recorded under accruals but are treated immediately as revenue.

E Date of Adoption and Effective Date

- 11.37 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 11 – *Accruals and Deferrals* (2016) and Position 1 to SAS.

Slovenian Accounting Standard 12 (2024)

COSTS OF MATERIALS AND SERVICES

A Introduction

This Standard applies to the bookkeeping, accounting for and disclosure of the costs of materials and services consumed. It deals with:

- a) the classification of costs of materials and services;
- b) the recognition of costs of materials and services;
- c) the initial measurement of costs of materials and services; and
- d) the disclosure of costs of materials and services.

This Standard relates to Slovenian Accounting Standards (SAS) 4, 9, 14, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D) and the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Costs of Materials and Services

- 12.1 The costs of materials consist the value of quantities of direct materials consumed and of the portion of materials associated with production overheads, purchasing and selling overheads, and administrative overheads. Costs of services are the costs that are not carried as costs of materials, depreciation or amortisation, or labour.
- 12.2 Costs of materials and services shall be classified by primary (natural) types. An organisation may determine its own detailed classification of costs.
- 12.3 Accrued costs of materials and services shall be carried and accounted for as costs of materials or services under this Standard, although only later there will be an outflow of assets (economic resources) relating to them, which enables the organization to generate economic benefits.
- 12.4 Deferred costs of materials and services that continue to be carried as deferred costs shall not be considered costs of materials and services under this Standard.
- 12.5 Costs of benefits that are not associated with wages and salaries, and interest costs are considered to be costs of services in broader sense. Costs of services in broader sense also comprise costs of scholarships and tuition fees relevant to the organisation's business operations, and other similar costs.
- 12.6 In accordance with the selected valuation method used, costs of materials and services may be held in the work in progress and in the inventories of products, before they become part of expenses and affect the profit or loss of an individual accounting period.

b) Recognition of Costs of Materials and Services

- 12.7 Costs of materials and services shall be recognised on the basis of documents evidencing the consumption of materials or the receipt of services in connection with the performance of the activity.
- 12.8 A reduction in the value of inventories of materials to their net realisable value does not increase the recorded costs of materials, but revaluation operating expenses relating to inventories.

c) Initial Measurement of Costs of Materials and Services

- 12.9 The costs of materials held in inventories prior to their consumption are stated at the amounts that constituted the value of inventories before such materials were consumed. They depend on the inventory costing method used for the determination of prices when accounting for consumption: the first-in, first-out (FIFO) method or the weighted average price method. When fixed prices of materials are used, the relevant portion of variances shall be taken into account, and the costs shall be recognised at amounts corresponding to the selected method. An organisation is obliged to disclose the method applied.
- 12.10 The costs of materials not held in inventories prior to their use are usually stated at actual amounts recorded on the acquisition of such materials. The same applies to the costs of services.
- 12.11 The estimated amount of accrued costs of materials and services shall be recognised under the items under which the actual amounts of the same costs of materials and services would otherwise be recorded. Actual amounts subsequently accounted for are charged against relevant items of accrued costs and deferred revenue.
- 12.12 Costs of provisions for future costs of materials and services shall be treated as a specific class of costs, except provisions for pensions, jubilee benefits and termination benefits upon retirement that are considered labour costs. Actual amounts subsequently accounted for are directly charged against the relevant provisions.
- 12.13 If an annual inventory of materials identifies surpluses or shortages for which no one is personally responsible, the surpluses reduce the costs recognised up to that time and the shortages increase them.

d) Disclosure of Costs of Materials and Services

- 12.14 Organisations that are not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

C Key Definitions

- 12.15 Two terms used in this Standard need to be explained and defined.

- a) **Costs of materials** are the costs of raw, basic and auxiliary materials, and of purchased semi-finished products, components, fuels and lubricants. Costs of raw materials are costs of materials derived from agriculture, forestry, or mining. The specific costs of materials are costs of consumed energy.

- b) **Costs of services** are costs of transportation services, costs of production stages performed by others, costs of utility and telecommunication services, rentals, insurance premiums, costs of payments services and similar costs; in broader sense they also comprise costs of taxes, levies and charges independent of profit or loss and not related to wages and salaries, as well as interest costs. In addition, costs of services include work contract costs, costs of copyright contracts and costs associated with other legal relations, with exception of employment relationships established with natural persons.

D Clarifications

- 12.16 Interest paid is usually immediately carried and accounted for as financial expense. It can be included in the cost of property, plant and equipment, intangible assets, investment property or products and work-in-progress.
- 12.17 Contrary to the theoretical definition of costs, according to which only those amounts that are justified in the process of production and distribution of products and services may be carried as costs, under this Standard costs may also comprise various so-called exceptional costs, even though they cannot be calculated in the inventories of products or work in progress, and are rather immediately carried as expenses. Only the amounts arising from writing-down of inventories to net realisable value are excluded from the definition of costs, as they are directly revaluation adjustments included in operating expenses.
- 12.18 Development costs that are not deferred on a long-term basis shall be carried and accounted for by the relevant primary types of costs. The same applies to the costs of maintenance, advertising and entertainment, if they include self-constructed products or self-performed services.
- 12.19 Lessee's rental expenses are a specific type of service costs of an operating lease, if an organisation decides not to recognise operating leases as assets in accordance with SAS 1.61. In all other cases of a lease, however, lease payments are included in the acquired item of property, plant and equipment resulting in depreciation and financial expenses.

E Date of Adoption and Effective Date

- 12.20 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 12 - *Costs of Materials and Services* (2016).

Slovenian Accounting Standard 13 (2024)

LABOUR AND EMPLOYEE BENEFIT COSTS

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of costs of wages and salaries and of taxes as well as other labour costs and costs of employee benefits including their shares in profit. It deals with:

- a) the classification of labour and employee benefit costs;
- b) the recognition of labour and employee benefit costs;
- c) the initial measurement of labour and employee benefit costs; and
- d) the disclosure of labour and employee benefit costs.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 9, 14, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Labour and Employee Benefit Costs

13.1 Employee benefits are all forms of consideration given by an organisation in exchange for service rendered by employees; an organisation shall recognise employee benefits as its labour costs or as shares in profit before stating its profit in the income statement. Employee benefits may also be associated with specific taxes that increase the costs incurred by the organisation or the employees' share in profit. All payments to management, irrespective of the legal form of the contractual relationship, are also considered employee benefits.

13.2 Employees are entitled to employee benefits during their service or after termination of their service. The benefits they receive during the service are wages or salaries, compensations as a substitute for wages, salaries and related items, including shares in profit; post-employment benefits are primarily termination benefits and any other benefits arising from the original employment.

13.3 Labour costs include:

- a) wages and salaries earned by employees, in their gross amount;
- b) compensations to which the employees are entitled under the law, collective bargaining agreement or employment contracts for the period of absence from work, and which an organisation is obliged to cover in their gross amounts;
- c) benefits in kind, gifts and bonuses to the employees as well as the amounts paid for or reimbursed to the employees, but not directly related to the operations of the organisation;
- d) termination benefits to which the employees are entitled after termination of their service and other earnings to which the employees are entitled under the law, collective bargaining agreement or employment contracts in their gross amounts; and
- e) taxes and contributions additionally accrued on items a) to d) and charged against the employer.

- 13.4 The following shall be carried and separately disclosed as labour costs:
- a) amounts which depend on the profit and are paid to the members of the organisation's bodies who are not paid wages or salaries; and
 - b) amounts which depend on the profit and are paid to the organisation's employees as supplements to their wages and salaries.
- 13.5 Labour costs may be retained in the work in progress and inventories of products before they are included in operating expenses and affect the profit or loss of the accounting period. Shares in profit, together with relevant taxes associated with them, increase labour costs so that the final profit is already reduced by their amount. An organisation is free to decide on any further sub-classification of its labour costs in accordance with its own needs.
- 13.6 Employee compensation costs are costs of reimbursement related to work. They may be in the nature of salary costs or in the nature of service costs. This Standard addresses only reimbursements that are treated as a cost of labour, for example, the cost of commuting to and from work and the cost of providing meals at work.

b) Recognition of Labour and Employee Benefit Costs

- 13.7 Labour costs shall be recognised on the basis of documents evidencing the work performed and on other accounting bases used to calculate wages and salaries or the eligibility to receive compensation as a substitute for wages, salaries and related items, including termination benefits and other relevant benefits. The payments that fluctuate during a financial year may also be accrued.

c) Initial Measurement of Labour and Employee Benefit Costs

- 13.8 Labour and employee benefit costs shall be accounted for in accordance with the law, the collective bargaining agreement, a general act adopted by the organisation, or an employment contract.
- 13.9 An organisation shall create provisions for that portion of labour costs claimed by employees under the law, a collective bargaining agreement, a general act of the organization, or an employment contract, to which the organization objects, provided the conditions outlined in SRS 10 are met.
- 13.10 The accrued labour costs are equal to liabilities associated with them, until they have been settled. Liabilities for wages and salaries shall be recognised as obligations to individual employees in the gross amount of wages and salaries, and as liabilities for taxes and contributions to be accounted for with respect to the gross amount of wages and salaries, and are not part of them.
- 13.11 Amounts distributed to employees based on the profit in a financial year are also treated as salary costs. This share is not shown as a component of the publicly reported net profit but as salary costs. The same treatment is applied to bonuses paid to members of the management and supervisory boards.
- 13.12 Employee profit-sharing expense is recognised, if the profit-sharing is based on:
- a legal commitment of the organisation;
 - a decision by management or another body with the power to make such a decision before the financial statements are approved for publication; or
 - an unequivocally disclosed constructive obligation of the organisation.

d) Disclosure of Labour and Employee Benefit Costs

- 13.13 Organisations that are not subject to audit are required to disclose only the information and data required by law, and the remaining organisations are also required to comply with the disclosure requirements of this Standard. These disclosures are required for all material matters. The nature and level of materiality shall be specified by the organisation in its governing documents. Specific disclosure shall be made of profit interests distributed by the general meeting to non-owners.
- 13.14 Special disclosure should be made of employee benefits and profit-sharing attributable to management and other bodies.
- 13.15 The details of employee long-term benefit plans other than termination benefits (e.g. jubilee benefits) and the provisions relating to them, as well as the coverage and users of the plans, are disclosed.
- 13.16 Specific disclosure shall be made of any claims by employees for benefits based on provisions of law, collective bargaining agreement, general act of the organisation or employment contract to which the organisation objects. Disclosure should also be made of whether provisions have been made within the meaning of SAS 10.
- 13.17 The organisation shall also disclose separately in the notes to the financial statements the cost of services, other than labour costs, in respect of labour placement agencies under labour placement contracts and the number of such employees, taking into account the number of hours worked under those contracts.

C Key Definitions

- 13.18 This Standard uses some terms which need to be explained and defined.
- a) **Wages and salaries** are gross employee benefits earned as compensation for service rendered by employees.
 - b) **An employee** is a natural person who is employed under a contract of employment or is a manager of an organisation, irrespective of the legal basis.
 - c) **Compensation** is a gross employee benefit to which an employee is entitled for a period of absence from work for various reasons, including sick leave, annual leave and other justified reasons.
 - d) **Gross wages and salaries** are the amounts that, in addition to net wages and salaries, include taxes as well as statutory social security contributions payable by employees.
 - e) **Net wages and salaries** are the amounts left to the employee after deductions for taxes and statutory contributions for social benefits payable by employees.
 - e) **A termination benefit** is an employee benefit payable as a result of:
 - a) an organisation's decision to terminate an employee's employment before the normal retirement date;
 - b) an employee's decision to accept voluntary redundancy in exchange for the benefit; or
 - c) normal retirement of an employee.
 - f) **Organisation's payroll taxes and social security contributions** are the organisation's legal obligations that depend on gross wages and salaries and reimbursements to employees charged to the organisation.

D Clarifications

- 13.19 Compensations as substitutes for wages and salaries charged to the organisation are compensations and allowances for a specific period of absence from work during sick leaves, vacations, national holidays, special days off and other compensations in accordance with regulations in force, collective bargaining agreement or employment contract, irrespective of whether any part of those considerations is reimbursed to the organisation.
- 13.20 Reimbursements to employees that are considered labour costs and are directly related to the performance of work include, for example, allowances for travel to and from work, reimbursements for a meal during working time, allowance for the use of own resources when working from home and others. Travel costs incurred on business trips, costs of field work, as well as tuition fees and scholarships directly associated with the operations of the organisation shall be carried and accounted for as costs of services.

E Date of Adoption and Effective Date

- 13.21 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 13 - Labour and *Employee Benefit Costs* (2016).

Slovenian Accounting Standard 14 (2024)

EXPENSES

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of operating expenses, financial expenses and other expenses. It deals with:

- a) the classification of expenses;
- b) the recognition of expenses;
- c) the initial measurement of expenses; and
- d) the disclosure of expenses.

This Standard does not deal with income tax expense.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 4, 6, 9, 16, 17, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Expenses

- 14.1 Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets (e.g. inventories of products through selling) or increases of liabilities (e.g. arising from accrued interest). Through profit or loss, they affect the amount of equity.
- 14.2 Expenses shall be classified as operating expenses, financial expenses and other expenses. Operating and financial expenses are ordinary expenses.
- 14.3 Operating expenses are in principle equal to the calculated cost of the accounting period, increased by the cost held in the opening inventories of products and work in progress, and reduced by the costs held in the closing inventories of products and work in progress. In trade organisations, where costs are not held in inventories, the cost of merchandise sold shall be included in the operating expenses. Materials sold shall be treated in the same way as merchandise sold. A specific type of operating expense are revaluation operating expenses.
- 14.4 Operating expenses shall be classified by purpose (function) as production costs of products sold, including costs of services sold, or in trade organisations as costs of goods sold, and indirect costs of purchasing, if the organisation does not include them in the costs of production of the products sold, indirect and direct selling costs, administrative overheads, and revaluation operating expenses that are not classified as costs.
- 14.5 Revaluation operating expenses arise in respect of property, plant and equipment, intangible assets, investment property and current operating assets as a result of their revaluation to a lower value of unless the decrease in their value has not been covered by revaluation surplus resulting from their prior increase in value. The difference between the sales value and the car-

rying amount on the sale or other disposal or derecognition of property, plant and equipment, non-current assets held for sale, intangible assets and investment property is also recognised as revaluation operating expenses.

- 14.6 Financial expenses include expenses from financing and investment expenses. The former primarily comprise interest paid, while the latter predominantly have the nature of revaluation financial expenses. Foreign exchange differences are also classified as financial expenses.
- 14.7 Revaluation financial expenses arise in association with investments due to their impairment if the decrease in their value is not covered by reserves from fair value measurement, and due to a decline in their fair value when measured at fair value through profit or loss. Revaluation financial expenses are also recognized upon the sale of receivables, other disposal, or derecognition of investments that are not equity instruments, as a negative difference between the selling price and the carrying amount, adjusted for any fair value reserve.
- 14.8 Other expenses comprise extraordinary items and other expenses that reduce profit or loss.

b) Recognition of Expenses

- 14.9 Expenses shall be recognised, if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and such decreases can be measured reliably. Expenses shall therefore be recognised simultaneously with the recognition of a reduction of assets or an increase in liabilities.
- 14.10 Operating expenses shall be recognised once costs are no longer held in inventories of products and work in progress or once merchandise has been sold. The costs that cannot be held in inventories and work in progress shall on their incurrance be recognised as operating expenses. Revaluation operating expenses shall be recognised upon revaluation.
- 14.11 Financial expenses shall be recognised upon statements of accounts, irrespective of actual payments associated with them.

c) Initial Measurement of Expenses

- 14.12 In the normal practice of valuing inventories of products and work in progress at production costs, operating expenses of the accounting period consist of production costs of quantities sold and, to the extent that an organisation does not include them in production costs, purchasing costs incurred during the period. Operating expenses also include selling and general administrative costs as well as revaluation operating expenses.
- 14.13 When an organisation values its inventories of products solely at variable production costs, operating expenses consist of variable production costs of the quantities sold, fixed production costs incurred during the accounting period, the costs of purchasing and selling, general administrative expenses, and revaluation operating expenses.
- 14.14 The transfer of costs from the inventories of products and work in progress to the costs of products sold, and the transfer of cost of merchandise and materials to the costs of goods sold, shall be carried out by applying the first-in, first out (FIFO) method or weighted average price method. When fixed (estimated, standard) prices are applied, the proportional part of variances shall also be considered.

14.15 The interest paid is included in financial expenses in the amount accrued in the same accounting period, unless it is included in property, plant and equipment, intangible assets, investment property, or inventories.

d) Disclosure of Expenses

14.16 Organisations that are not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.

14.17 An organisation shall separately disclose the method applied to measure expenses.

14.18 When the disclosure of individual items of expenses is material because of their size, nature or effect, to explain the performance of an organisation in an accounting period, the scope and amount of such items shall be disclosed separately.

14.19 The nature and amount of any change in accounting estimate that has a significant effect on expenses in the relevant financial year or are expected to have a significant effect on expenses in subsequent financial years shall be disclosed.

C Key Definitions

14.20 This Standard uses some terms which need to be explained and defined.

- a) **Production costs** are direct costs of materials, direct labour costs, direct costs of services, direct depreciation and amortization and indirect production costs.
- b) **Indirect production costs** are the costs of materials, services, labour, depreciation and amortization that are accrued as part of the production process but cannot be directly linked to the resulting products.
- c) **Production costs in narrow sense**, are production costs incurred in the production process, while production costs in the broader sense are production costs incurred up to the completion of the production process, including indirect costs of purchases.
- d) **Variable production costs** are the variable part of indirect production costs in addition to the direct variable production costs.

D Clarifications

14.21 The revaluation of receivables due to impairment during the accounting period concerned is a revaluation operating expense. The revaluation of inventories due to impairment is carried as a revaluation operating expense and the value of the shortage identified on inventory taking for which no one is personally liable, as an increase in the corresponding non-revaluation operating expenses.

14.22 The effects of a decrease in the fair value of investment property measured using a fair value model are treated as either revaluation financial expenses or revaluation operating expenses, depending on the purpose for which the investment property is held.

14.23 Impairment of property, plant and equipment, intangible assets and investment property valued according to the cost model and any inventory shortage shall be recognised as revaluation operating expenses.

E Date of Adoption and Effective Date

14.30 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 14 – *Expenses* (2016).

Slovenian Accounting Standard 15 (2024)

REVENUE

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of operating revenue, financial revenue and other revenue. It deals with:

- a) the classification of revenue;
- b) the recognition of revenue;
- c) the initial measurement of revenue; and
- d) the disclosure of revenue.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 11 and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Revenue

- 15.1 Revenue represents increases in economic benefits during the accounting period, either through the increase of assets (e.g. cash or receivables arising from goods or services sold) or through the reduction in liabilities (e.g. by waiving the obligations of settlement). Revenue impacts equity through its effect on profit or loss.
- 15.2 Revenue shall be classified into operating revenue, financial revenue and other revenue. Operating revenue and financial revenue are considered to be ordinary revenue.
- 15.3 Operating revenue comprises sales revenue, other operating revenue associated with products and services as well as revaluation operating revenue.
- 15.4 Sales revenue is revenue arising from contracts with customers for the sale of goods or services. Revenue from sales reflects transfers (deliveries) of contractually agreed goods or services to customers in the amount of the expected consideration to which the organisation shall be entitled in exchange for those goods or services. Revenue is divided into revenue from the sale of organisation's own products and services and revenue from the sale of merchandise and materials. Amounts collected on behalf of third parties, such as value added tax and other taxes charged at the time of sale, are not components of sales revenue. Similarly, in an agency relationship, the amounts collected on behalf of the principal are not sales revenue. Instead, revenue is only that part of the consideration due to the principal for the agency service provided.
- 15.5 Other operating revenue associated with products and services include subsidies, grants, allowances, compensations, premiums, and similar revenue. Government grants received for the acquisition of fixed operating assets, or to cover specific costs, shall temporarily be carried as deferred revenue and shall be transferred to operating revenue in line with the depreciation of the acquired fixed assets or with the incurrence of costs they are intended to cover.

- 15.6 Revaluation operating revenue arises on disposal of items of property, plant and equipment and of intangible assets as an excess of their sales value over their carrying amount and also as a result of the reversal of previously recognized losses due to asset impairments.
- 15.7 Financial revenue is revenue generated by investment activities. Financial revenue arises in relation to investments, as well as in association with receivables. It comprises accrued interest and shares in the profit of other parties, as well as revaluation financial revenue and foreign exchange differences.
- 15.8 Revaluation financial revenue arises in association with:
- a) increases in the fair value of financial assets measured at fair value through profit or loss;
 - b) the derecognition of investments, specifically:
 - when the sales price or the fair value of non-monetary consideration received exceeds their carrying amount, or
 - in the case of available-for-sale investments other than equity instruments, measured at fair value, from the surplus of their selling price or the fair value of the consideration received over their carrying amount, adjusted for the fair value reserve;
 - c) the reversal of impairment of investments, if the reversal of impairment is permissible in accordance with SAS 3.
- 15.9 Other revenue comprises extraordinary items and other revenue that increase profit or loss.

b) Recognition of Revenue

- 15.10 Revenue shall be recognised, if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably. Revenue is therefore recognised at the same time as the recognition of the increase in assets or the decrease in liabilities.
- 15.11 Revenue shall be recognised when it is reasonably expected that the organisation will receive consideration for it.
- 15.12 The organisation recognises revenue from sales when it has fulfilled (or is fulfilling) a contractual obligation. A contractual obligation is a performance obligation of the organisation to deliver or provide contractually agreed (promised) goods or services to a customer. The organisation fulfils a performance obligation by transferring the contractually agreed goods or services to the customer.
- 15.13 Goods or services are transferred when the customer obtains (or acquires) the control of it. The customer obtains the control of the goods or services when they acquire the right to direct their use and the right to practically all remaining benefits from them. Such control also includes the ability to prevent others from directing the use of the goods or services and obtaining benefits from it. The benefits from goods or services are potential cash flows (receipts or cost savings) that can be obtained directly or indirectly in various ways. For example, by:
- using the asset to produce goods or services;
 - using the asset to increase the value of other assets;
 - using the asset to settle liabilities or reduce costs;
 - selling or exchanging the asset;
 - pledging the asset to secure a loan; and
 - holding the asset.
- 15.14 An organisation transfers the control of goods or services and thereby performs or fulfils a performance obligation, either at a point in time or gradually. If the control is transferred at a point in time, the criteria in SAS 15.12 and SAS 15.42 are applied to determine the point in time of transfer.

An organisation transfers the control of goods or services gradually, if the customer acquires the control simultaneously (i.e. at the same time or currently) with the organisation's progress in meeting such an obligation. In assessing whether the control is transferred to the customer on a graded basis, an organisation applies the criteria in SAS 15.43.

- 15.15 For any performance obligation that is performed gradually, revenue is recognised gradually in accordance with the organisation's progress towards full satisfaction of such an obligation. Revenue is recognised gradually only when progress towards full satisfaction of the performance obligation can be reasonably measured, that is, when the organisation has reliable information necessary to apply an appropriate method of measuring progress. When an organisation cannot reasonably measure progress towards full satisfaction of a performance obligation but expects to recover the costs incurred in satisfying that obligation, it may recognise revenue only to the extent of the costs incurred.
- 15.16 An organisation shall use a single method to measure progress for each performance obligation that is fulfilled over time, applying this method consistently for similar performance obligations in similar circumstances. Appropriate methods for measuring progress are the output and input methods. At least at the end of each reporting period, the organisation shall reassess progress towards full completion of the performance obligation. Any update to the measurement of progress shall be accounted for as a change in an accounting estimate.
- 15.17 When entering into a contract with a customer, an organisation shall identify all performance obligations contained in the contract. A separate (distinct) performance obligation is defined as any obligation to transfer goods or services to the customer that:
- a) under the criteria of SAS 15.40 is separately identifiable from other contractual obligations to transfer goods or services to the customer (i.e. is distinct within the context of the contract); and
 - b) the customer can use the contractually agreed goods or services either alone or in conjunction with other available or readily accessible resources (assets). For example, the fact that an organisation regularly sells goods or services separately would indicate that the customer can use the goods or services alone or in conjunction with other readily accessible resources.

If an obligation to transfer goods or services to a customer cannot be identified separately from other obligations to transfer goods or services in the context of the contract, then it shall be combined with other obligations until a bundle is formed that meets the criteria for recognition as a distinct performance obligation.

- 15.18 A distinct (separate) performance obligation shall also be recognized for any option given to the customer in the contract to acquire additional goods and/or services, provided that such an option represents a material right that the customer would not have received without entering into the original contract.

A promise to deliver a series of distinct goods or recurring services that are substantially the same and have the same pattern of transfer to the customer shall be recognised as a single distinct performance obligation.

- 15.19 Organisations that are considered micro and small companies under the provisions of the Companies Act are not required to comply with the provisions of SAS 15.17 and SAS 15.18.

- 15.20 For the purposes of accounting for sales revenue, an organisation shall treat multiple formally separate contracts as a single contract, if one or more of the following criteria are met:
- a) the contracts are entered into as a package with a single commercial objective;
 - b) the amount of consideration in one contract depends on the price or performance of another contract; or

- c) the promises of goods or services in the contracts (or the specific goods or services agreed in each contract) represent a single performance obligation.

c) Initial Measurement of Revenue

15.21 Sales revenue shall be recognised at an amount that reflects the transaction price allocated to the distinct performance obligation. The transaction price is the amount of consideration to which the organisation expects to be entitled in exchange for transferring the goods or services to the customer, excluding amounts collected on behalf of third parties.

15.22 The consideration may include fixed amounts, variable amounts, or both. When determining the transaction price, the effects of:

- variable consideration;
- the existence of a significant financing component in the contract;
- non-monetary consideration; and
- consideration payable to the customer are taken into account.

15.23 The consideration may include a variable amount, for example, as a result of discounts, rebates, refunds, credits, price reductions, incentives, performance bonuses, liquidated damages or similar items, and also if the organisation's entitlement to the consideration depends on the occurrence or non-occurrence of a future event. To estimate its amount, an organisation may use either the expected value method, calculated as a mathematical expectation, or the most likely amount method.

For example, the amount of consideration is variable, if the product is sold with a right of return, or a fixed amount is promised as a performance bonus upon achieving a specific milestone. The variable portion of the consideration is included in the transaction price up to the amount that is more likely than not to result in a significant reduction in the total recognised revenue from the contract when the related uncertainty is removed. The amount of variable consideration that is not included in the transaction price but has already been charged to, or paid by, the customer is recognised as a reimbursement liability.

15.24 In determining the transaction price, the amount of the consideration is adjusted for the time value of money effects, if the timing of the consideration provides the customer with a significant financing benefit. To calculate the time value of money effects, the organisation uses a discount rate that would be reflected in a separate financing transaction between the organisation and the customer at the time of contract inception, or would reflect the credit characteristics of the customer, as well as any collateral or guarantee provided by the customer, including the assets transferred in the contract.

If the time gap between the fulfilment of the obligation and the customer's payment is one year or less, there is no significant financing component in the contract.

15.25 Non-monetary consideration received for the transfer of goods or services shall be measured at fair value, or, if that cannot be reasonably estimated, by reference to the stand-alone selling price of the goods or services supplied in exchange for the consideration.

15.26 An organisation accounts for consideration paid to a customer (or to other parties that purchase the organisation's goods or services from the customer) as a reduction of the transaction price and revenue, unless the consideration is paid to the customer in exchange for separate goods or services that is transferred to the organisation by the customer. Payments made to a customer for separate goods or services shall be accounted for as a reduction in the transaction price when their amount exceeds the fair value of the goods or services received. If the fair value cannot be reasonably estimated, the full amount of the payment to the customer shall be treated as a reduction in the transaction price.

- 15.27 When a contract contains multiple performance obligations, the transaction price shall be allocated to each performance obligation in an amount equal to the amount of consideration to which the organisation expects to be entitled in exchange for the transfer of the goods or services to the customer. The transaction price is allocated to each performance obligation in proportion to the stand-alone selling prices of the separate goods and/or services in the contract. The stand-alone selling price is the price at which the organisation would sell the goods or services separately to the customer. The best evidence of a stand-alone selling price is the price at which the organisation would sell the goods or services separately in similar circumstances and to similar customers.
- 15.28 A variable amount of consideration may be allocated to all performance obligations in the contract or only to certain performance obligations. A variable amount of consideration is allocated to only certain performance obligations when its terms relate to the performance or a specified result of only certain, rather than all, performance obligations.
- 15.29 A customer is deemed to receive a discount for the purchase of a group of goods or services if the sum of the individual selling prices of those goods and/or services exceeds the amount of the consideration. The discount shall be allocated proportionately to all performance obligations in the contract, unless the organisation has evidence that the discount relates only to chosen performance obligations.
- 15.30 If after the contract is entered into, the transaction price changes, but the change is not a contract modification under SAS 15.36 d), the organisation allocates such a change to the individual performance obligations in the contract on the same basis as it did when the contract was entered into. Amounts allocated to a performance obligation that has already been settled are recognised as revenue or as a reduction of revenue in the period in which the transaction price changes.
- 15.31 Operating revenue relating to subsidies, grants, reimbursements, offsets, premiums and the like received shall be recognised when:
- a) there is reasonable certainty that the organisation will meet the conditions attached to it and will receive it; or
 - b) it has already been received and the need to its transfer to cover the related costs has already arisen.
- 15.32 Interest is accrued in proportion to the period elapsed, based on the unamortised portion of the principal and the interest rate.

d) Disclosure of Revenue

- 15.33 Organisations that are not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 15.34 An organisation shall separately disclose the method of measuring revenue.
- 15.35 If disclosing individual revenue items is material for explaining the organisation's performance in the reporting period due to their size, nature, or impact, the extent and amount of such items shall be disclosed separately.

C Key Definitions

15.36 This Standard uses some terms which need to be explained in order to define the key concepts.

- a) **Goods or services** under a contract with a customer include, in particular:
 - a) the products of the organisation;
 - b) merchandise;
 - c) resale of rights to goods or services purchased by an organisation (e.g. a resale of tickets in an organisation acting as a principal);
 - d) performing a contractually agreed-upon task (or tasks) for the customer;
 - e) providing a service of standing ready to deliver goods or services (e.g. unspecified software updates) or making goods or services available for the customer to use as and when they choose;
 - f) providing a service of arranging for another party to transfer goods or services to the customer (e.g. acting as an agent of another party);
 - g) granting rights to goods or services that will be provided in the future, which the customer can resell or provide to its customers (e.g. an organisation selling a product to a retailer and promising to transfer additional goods or services to an individual who purchases the product from the retailer);
 - h) constructing, manufacturing or developing an asset on behalf of the customer;
 - i) granting licences; and
 - j) granting options to purchase additional goods or services (when those options provide a customer with a material right).
- b) **A customer** is a party that has entered into a contract with the organisation to acquire goods or services that result from the organisation's ordinary activities in exchange for consideration. A counterparty to the contract would not be considered a customer if, for example, it has entered into a contract with the organisation to collaborate on a joint activity in which the parties share risks and benefits arising from that activity, rather than acquiring outputs from the organisation's ordinary activities (such as the development of an asset under a collaboration agreement or the provision of shared services).
- c) **A contract with a customer** is an agreement between the organisation and the customer that creates enforceable rights and obligations and meets all of the following criteria:
 - a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to fulfil their respective obligations;
 - b) the organisation can identify each party's rights regarding the goods or services to be transferred, including payment terms;
 - c) the contract has commercial substance (i.e. the contract is expected to change the risk, timing or amount of the organisation's future cash flows); and
 - d) it is probable that the organisation will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In assessing whether collectability of an amount of consideration is probable, an organisation shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the organisation will be entitled may be less than the price stated in the contract, if the consideration is variable.
- d) **A contract modification** is a change in either the scope or the price, or both, that creates or modifies existing enforceable rights or obligations of the parties to the contract.
- e) **Net investment in the lease** is the gross investment in the lease, discounted at the interest rate implicit in the lease at its inception.
- f) **The gross investment in a lease** is the total of:
 - a) the sum lease payments from the lessor's perspective; and
 - b) any unguaranteed residual value attributable to the lessor.
 - g) **The unguaranteed residual value** is the portion of the residual value of a leased asset whose realisation is not assured to the lessor or is guaranteed solely by a party related to the lessor.

- h) **An agent** is a person who acts as an intermediary between the supplier and the customer. The nature of the agent's performance obligation to the customer is to arrange (mediate) for the supplier to provide the goods or services purchased. The goods or services supplied to the customer in an agency transaction are not controlled by the agent but by the supplier before they are transferred to the customer. The following are indications that an organisation is acting as an agent in a transaction include the following:
- (i) another party has the primary responsibility for fulfilling the contract;
 - (ii) the organisation is not exposed to the risk of inventory reduction before or after the customer orders the goods, during shipment or on return;
 - (iii) the organisation does not have discretion to set prices for the other party's goods or services and, therefore, the benefits that the organisation may receive from those goods or services are limited;
 - (iv) the organisation's remuneration is in the form of a commission;
 - (v) the organisation is not exposed to credit risk for the amount receivable from the customer in exchange for the goods or services of another party.

D Clarifications

- 15.37 If a contract is within the scope of another SAS, the organisation shall apply the provisions of the other SAS first and, in the alternative, the provisions of SAS 15.
- 15.38 An organisation accounts for a contract modification with a customer as a separate contract, if both of the following conditions are met:
- a) the scope of the contract increases due to the addition of promised goods or services that are distinct; and
 - b) the transaction price of the contract increases by the amount of the consideration that reflects the stand-alone selling prices for the additional goods or services.
- 15.39 If a contract modification with a customer is not accounted for as a separate contract, the organisation accounts for it in one of the following ways:
- a) as if the existing contract were terminated and a new contract entered into, if the promise to transfer goods or services not yet transferred to the customer by the date of the modification can be identified separately from the goods or services already transferred to the customer by that date;
 - b) as it were part of an existing contract, if the promises to transfer goods or services not yet transferred to the customer by the date of the modification cannot be identified separately from the goods or services already transferred to the customer by that date (i.e. they are part of a single performance obligation that was partially satisfied at the modification date). In this case, the effect of the contract modification on the transaction price and the measurement of the organisation's progress towards fulfilling the performance obligation is recognised as an adjustment to revenue (as an increase or decrease) at the date of the contract modification. This adjustment is made on a cumulative catch-up basis.
- 15.40 Factors indicating that the organisation's promise to transfer goods or services to a customer can be identified separately within the context of the contract include, but are not limited to:
- a) the organisation does not provide a significant integration of the goods or services with other goods or services into a combined output that the customer has contracted for. In other words, the organisation does not use the goods or services as inputs to or deliver a combined output specified by the customer;
 - b) the goods or services do not significantly modify or adapt other contractually agreed goods or services;

- c) the goods or services are not highly interdependent on or highly interrelated with other contractually agreed goods or services. For example, if the customer could decide not to purchase goods or services without materially affecting other contractually agreed goods or services might indicate that the goods or services are not highly interdependent or highly interrelated.

15.41 If the customer contributes goods or services (e.g. materials, equipment or labour) to facilitate the fulfilment of the contract, the organisation assesses whether it obtains control of the contributed goods or services. If so, the contributed goods or services are accounted for as non-monetary consideration received from the customer.

15.42 To assess whether an organisation has transferred control of an asset to a customer, the organisation considers indicators of the transfer of control, which include, but are not limited to:

- a) the organisation has a present right to payment for the goods or services;
- b) the customer has title to the asset – the title can indicate which party to the contract can direct the use of and obtain substantially all of the remaining benefits of the asset or restrict access by other organisations to these benefits. Therefore, the transfer of title to the asset may indicate that the customer has obtained control over the asset. However, if the organisation retains the title solely as a protection against the customer's default, this title would not prevent the customer from obtaining control over the asset;
- c) the organisation has transferred physical possession of the asset - the customer's physical possession of the asset may indicate that the customer can direct its use and obtain practically all of remaining benefits or restrict access by other organisations to those benefits. However, physical possession does not necessarily coincide with control of the asset. For example, under some repurchase agreements and consignment arrangements, the customer or recipient may physically possess the asset, but the organisation retains control over it. Conversely, under some charge-and-hold arrangements, the organisation may physically hold the asset but the customer retains control over it,
- d) the customer has assumed the significant risks and benefits associated with the ownership of the asset - the transfer of significant risks and benefits of ownership of the asset to the customer may indicate that the customer has acquired the ability to direct its use and obtain substantially all of the remaining benefits of the asset. However, when assessing the risks and benefits of ownership of the promised asset, an organisation shall exclude any risks that give rise to a separate performance obligation in addition to the obligation to transfer the asset. For example, the organisation may have transferred control of the asset to the customer, but still not fulfilled an additional performance obligation to provide maintenance services related to the transferred asset;
- e) the customer has accepted the asset – the acceptance of the asset by the customer may indicate that the customer has obtained the ability to direct its use, and obtain substantially all of the remaining benefits of the asset.

15.43 The organisation transfers control of goods and services to the customer over time (and recognises revenue accordingly), if one of the following criteria is met:

- a) the customer simultaneously receives and consumes the benefits from the performance of the obligation;
- b) the organisation's performance of the obligation creates or increases an asset (e.g. work in progress) that the customer controls as it is being created or increased; or
- c) the organisation's performance of the obligation, due to contractual or practical limitations, does not create an asset that the organisation can use in a way other than as specified in the contract. In this case, the organisation has an enforceable right to payment for the portion of the performance obligation completed to date, including a margin that should not be less than:
 - i. a proportionate share of the expected profit from the contract, based on the extent of the performance obligation completed up to the point of contract termination; or
 - ii. the organisation's normal rate of return on similar or comparable transactions.

- 15.44 Under the output method, progress in fulfilling a performance obligation is measured by directly comparing the volume (amount) of goods and/or services that have been transferred to the customer by the measurement date against all the goods or services promised in the contract.
- 15.45 Under the input method, progress in fulfilling a performance obligation is measured (determined) by a direct comparison of the volume (amount) of the organisation's inputs (e.g. resources, man-hours, machine-hours, costs, elapsed time) that have already been used in meeting the performance obligation up to the measurement date with the total inputs expected to be expended in meeting that performance obligation. The effects of any input that does not show how control of the goods or services is transferred to the customer, for example, should be excluded from the measurement of progress:
- a) when the costs incurred do not contribute to progress in meeting the performance obligation (revenue is not recognised on the basis of costs incurred that are attributable to significant inefficiencies in fulfilling the performance obligation that were not considered in the contract price);
 - b) when the costs incurred are not proportionate with progress in meeting the performance obligation. In these circumstances, the best indication of how the obligations are being performed may be to adjust the input method so that revenue is recognised only to the extent of the costs incurred.
- 15.46 In applying the progress method, an organisation shall exclude from the measurement of progress any goods or services for which it does not transfer control to the customer and, conversely, shall include in the measurement of progress any goods or services for which it transfers control to the customer in fulfilling that performance obligation.
- 15.47 If the customer takes title to the goods purchased and accepts the invoice, but delivery of the goods is deferred, revenue may be recognised for the seller, if it is probable that the goods will be delivered and they are available and ready for delivery at the time revenue is recognised. Additional conditions for recognising deferred revenue are:
- the reason for deferring delivery has to be justified (e.g. a customer request);
 - the goods have to be separated from the rest of the goods and identified as belonging to the customer;
 - the organisation cannot use the goods other than to deliver them to the customer.
- 15.48 If the recognition of a receivable for goods shipped is conditional on the customer's acceptance, the organisation shall recognise revenue when the customer formally accepts the shipment or when the time period for rejecting the shipment expires.
- 15.49 If, in a retail sale, the customer has an unlimited right to return the goods, operating revenue is not recognised at the time of sale for the estimated amount of the consideration received on the sale of the goods that are expected to be returned.
- 15.50 In a consignment or commission sale in which the consignee undertakes to sell the goods on behalf of the originator, revenue is recognised when the consignee sells the goods to someone else.
- 15.51 If the seller receives an advance payment for goods or service, revenue is recognised when the goods or services are transferred to the customer.
- 15.52 If goods are sold on an instalment basis, revenue from the sale is recognised only to the extent of the selling price at the time of sale. Interest included in instalments is included in financial revenue according to the period elapsed.
- 15.53 If the selling price of a product includes installation costs, installation revenue is recognised when the installation is completed.

- 15.54 If the selling price of a product includes the cost of inspections and repairs within the warranty period, this does not affect the amount of sales revenue; however, a specific provision is made against operating expenses at the time of sale for the amount of these estimated costs in accordance with SAS 10.
- 15.55 If the customer has the option to purchase the warranty separately (e.g. because the price or terms of the warranty are determined separately), the warranty is a separate service, because the organisation promises to provide a service to the customer in addition to the product. In those circumstances, the promised warranty is accounted for as a separate performance obligation.
- 15.56 A contractual option to acquire additional goods and/or services constitutes a material right when the customer can obtain such additional goods and/or services free of charge or at a price that is lower than it would have been had the customer not entered into the underlying contract. In determining whether a material right exists, an organisation shall take into account any discounts that the customer would have received for such additional goods or services, even if it had not entered into the original transaction. These discounts do not constitute a material right.

The stand-alone selling price of such a material right is estimated as the amount of the discount representing the material right, adjusted (multiplied) by the probability that the option to acquire the additional goods and/or services will actually be exercised.

- 15.57 It is considered that a doubt as to the payment of default interest is justified until the principal has been paid.
- 15.58 The effects of increases in the fair value of investment property measured using a fair value model are carried as either revaluation financial revenue or revaluation operating revenue, depending on the purpose for which the investment property is held.
- 15.59 The recognition of revenue by lessors from finance leases shall be designed to reflect a constant periodic rate of return on the lessor's net investment in the finance lease. A lessor shall endeavour to allocate income consistently and prudently over the lease term.

The allocation of revenue is based on a method that reflects a constant periodic rate of return on the lessor's net investment in the finance lease.

- 15.60 For operating leases, revenue from rentals of lessors shall be recognised in operating revenue on a straight-line basis over the term of the lease, even if payments are not received on that basis.
- 15.61 In a sale and leaseback transaction, an asset is sold and then leased back. The accounting treatment of a sale and leaseback transaction depends on the type (substance) of the lease.
- 15.62 If a sale and leaseback transaction results in a finance lease, the seller-lessee continues to control the asset and therefore does not derecognise it. In this case, the finance lease is a way for the customer-lessor to finance the seller-lessee, with the asset being the security. Therefore, it is not appropriate to recognise the excess of the selling price over the carrying amount in profit or loss; instead, the seller-lessee recognises the total consideration received for the asset sold and leased back as the lessee's financial liability under the finance lease.
- 15.63 If a sale and leaseback transaction results in an operating lease, the difference between the asset's selling price and carrying amount shall be recognised in profit or loss.
- 15.64 If, at the inception of a new transaction or renewal of an existing lease, the seller - lessor offers the customer - lessee certain incentives to enter into or renew the transaction or lease, those incentives are an adjustment to the revenue or expenses from the transaction or lease over the term of the trans-

action or lease, respectively. In the case of a lease for an indefinite term, the adjustment to revenue or expenses shall be allocated over a maximum period of 5 years. The incentives given shall include any cash payment by the seller-lessor to the customer-lessee or the assumption of the customer-lessee's costs, such as relocation costs, improvements to the asset, costs related to the customer's or lessee's previous commitments, etc. They also refer to an arrangement whereby the lessor exempts the lessee from paying rent (usually for the initial periods of the lease) or agrees with the lessee to reduce the rent.

15.65 A sales agreement under which an organisation has an obligation or right to repurchase an asset that it has sold is accounted for as:

- **a lease** if the organisation has the right or obligation to repurchase the asset sold at a price lower than the price at which it sold it (including the time value of money); or
- **a financing transaction** (a financial liability for the 'seller' and a financial asset for the 'customer') if the organisation has the right or obligation to repurchase the asset sold at a price equal to or greater than the price at which it sold it (taking into account the time value of money).

If the sales agreement contains an obligation to repurchase the asset only at the customer's request, such an agreement is accounted for as:

- **a lease** if the price at which the asset is to be repurchased is less than the original selling price of the asset and the customer has a significant economic incentive to exercise the requirement to repurchase the asset;
- **a sale of goods with a right of return** if the price at which the asset is to be repurchased is less than its original selling price or is equal to or greater than it, but less than or equal to, the asset's expected market value and the customer does not have a significant economic incentive to exercise a right to repurchase the asset; or
- **a financing transaction** if the price at which the asset is to be repurchased is equal to or greater than the asset's original selling price and also exceeds the asset's expected market value.

E Date of Adoption and Effective Date

15.68 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 15 – *Revenue* (2019) and *Position 1 to SAS 15* (2019).

Slovenian Accounting Standard 16 (2024)

IDENTIFICATION AND MEASUREMENT OF FAIR VALUE

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure when another SAS requires or permits fair value measurements or requires disclosure of fair value measurements. It deals with:

- a) the classification of fair value;
- b) the identification of fair value for non-financial assets;
- c) valuation techniques;
- d) the inputs to valuation techniques; and
- e) the fair value hierarchy.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 3, 6, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification and Measurement of Fair Value

- 16.1 Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 16.2 When measuring the fair value of certain assets, the organisation shall consider the characteristics of the asset that market participants would take into account when determining the price of the asset at the measurement date. These characteristics include, for example:
- a) the condition and location of the asset; and
 - b) any restrictions on the sale or use of the asset.
- 16.3 An asset measured at fair value may be a stand-alone asset (f e.g. a financial instrument or a non-financial asset) or a group of assets (e.g. a cash-generating unit or an acquiree).
- 16.4 In measuring fair value, it is assumed that the asset is exchanged in an orderly transaction between market participants at the measurement date under current market conditions.
- 16.5 When measuring fair value, it is assumed that the transaction for the sale or the transfer of the asset is conducted:
- a) in the principal market for the asset; or
 - b) in the most advantageous market for the asset if no principal market exists.
- 16.6 The organisation shall have access to the principal or most advantageous market at the measurement date. Since organisations with different activities may have access to different markets, the principal or most advantageous market for the same asset might vary between organisations. Therefore, the

principal or most advantageous market (and consequently the market participants) shall be determined from the organisation's perspective, allowing for differences between and among organisations engaged with different activities.

- 16.7 The organisation shall measure the fair value of an asset based on the assumptions that market participants would use in pricing the asset, assuming they act in their economic best interest.
- 16.8 The price in the principal or most advantageous market used to measure the fair value of the asset shall not be adjusted for transaction costs. These costs are not a characteristic of an asset but related to the transaction and vary depending on how the organisation conducts the transaction for the asset.

b) Identifying Fair Value of Non-Financial Assets

- 16.9 When measuring the fair value of a non-financial asset, the organisation considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- 16.10 In determining the highest and best use of a non-financial asset, the organisation shall take into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:
- a) a use that is physically possible considers the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
 - b) a use that is legally permissible considers any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
 - c) a use that is financially feasible considers whether a use of the asset, which is physically possible and legally permissible, generates sufficient revenue or cash flows (taking into account the costs of adapting the asset for that use) to provide a return on investment that market participants would require for an investment in that asset used for that purpose.
- 16.11 The organisation determines the highest and best use from the perspective of market participants, even if the organisation plans a different use. However, the way the organisation currently uses of a non-financial asset is presumed to be its highest and best use unless market or other factors indicate that a change in use would maximise the asset's value for market participants.
- 16.12 The organisation determines the highest and best use of a non-financial asset based on the valuation premise used to measure the fair value of the asset, specifically:
- a) the highest and best use of a non-financial asset may provide the highest value to market participants when used in combination with other assets as a group (as installed or otherwise prepared for use) or in combination with other assets and liabilities:
 - if the highest and best use of the asset is its use in combination with other assets or with other assets and liabilities, the fair value of the asset is the price that would be received in a current transaction to sell the asset, assuming that the asset would be used in combination with other assets or other assets and liabilities and that those assets and liabilities (i.e. its complementary assets and the associated liabilities) would be available to market participants;
 - liabilities associated with the asset and with the complementary assets include liabilities that finance operating current assets but exclude liabilities financing assets other than those within the group of assets;
 - assumptions about the highest and best use of a non-financial asset shall be consistent for all the assets (for which highest and best use is relevant) within the asset group in which the asset would be used;

- b) the highest and best use of a non-financial asset may provide the highest value to market participants on a stand-alone basis. If the highest and best use of the asset is its stand-alone use, the fair value of the asset is the price that would be received in a current transaction to sell the asset to market participants who would use the asset on a stand-alone basis.

16.13 When an organisation acquires an asset in an exchange transaction for that asset, the transaction price is the price paid to acquire the asset (an entry price). In contrast, the fair value of the asset is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Organisations are not necessarily required to sell assets at the prices at which they were purchased. In many cases, the transaction price will equal the fair value. For example, this may occur when the asset is purchased in a transaction conducted on the same market where the asset would be sold at the transaction date.

c) Valuation Techniques

16.14 An organisation shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

16.15 The objective of applying a valuation technique is to determine the price at which an orderly transaction to sell an asset would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. The organisation shall use valuation techniques consistent with one or more of those approaches when measuring fair value.

16.16 In some cases, a single valuation technique will be appropriate (e.g. when valuing an asset using quoted prices in an active market for identical assets). In other cases, multiple valuation techniques will be appropriate (e.g. that might be the case when valuing a cash-generating unit). When multiple valuation techniques are used to measure fair value, the reasonableness of the range of values based on those results shall be taken into account in assessing the results (i.e. relevant fair value indicators). The fair value measurement is the point in that range that is most representative of fair value in the circumstances.

16.17 If the transaction price at initial recognition equals fair value, and a valuation technique using unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique shall be calibrated so that its result at initial recognition equals the transaction price. Calibration ensures that the valuation technique reflects current market conditions and helps the organisation to determine whether an adjustment to the valuation technique is needed (e.g. there may be a characteristic of the asset not captured by the valuation technique). After initial recognition, the organisation shall, in measuring fair value using a valuation technique or techniques that use unobservable inputs, ensure that those valuation techniques reflect observable market data (for example, the price for a similar asset or liability) at the measurement date.

16.18 Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (e.g. a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate, if the change achieves a measurement that is the same as, or more representative of fair value in the circumstances. This may be the case in following circumstances:

- a) the development of new markets;
- b) the availability of new information;
- c) the end of availability of previously considered information;
- d) improvements in valuation techniques; or
- e) a change in market conditions.

Changes in value relating to a valuation technique or its application shall be treated as a change in an accounting estimate.

d) Inputs to Valuation Techniques

- 16.19 Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.
- 16.20 Markets in which inputs might be observable for some assets include exchange markets, dealer markets, broker markets and markets without intermediaries.
- 16.21 An organisation shall select inputs that are consistent with the characteristics of the asset that market participants would consider in a transaction for the asset. In some cases, those characteristics result in the application of an adjustment, such as a premium or discount (e.g. a control premium or non-controlling interest discount). In all cases, when a quoted price exists in an active market (i.e. a Level 1 input), an organisation shall use that price without an adjustment when measuring fair value.
- 16.22 If an asset measured at fair value has a bid price and an ask price (e.g. an input from a dealer's market), the price in the range between the bid-ask price that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of which level of the fair value hierarchy the input is classified in.

d) Fair Value Hierarchy

- 16.23 The fair value hierarchy classifies inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).
- 16.24 In some cases, the inputs used to measure the fair value of an asset may be classified into different levels of the fair value hierarchy. In those cases, the fair value measurement is classified entirely within the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Judgement is required in assessing the significance of an individual input relative to the full measurement by considering factors specific to the asset. Adjustments to achieve fair value measurements, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorised.

The availability of relevant inputs and their relative subjectivity could affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritises the inputs to valuation techniques over the valuation techniques used to measure fair value. For example, a fair value measurement developed using a present value technique may be classified within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which the inputs are classified.

- 16.25 If an observable input requires an adjustment using an unobservable input and the adjustment would result in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within Level 3 of the fair value hierarchy. For example, if a market participant would consider the effect of a restriction on the sale of an asset in estimating the price for the asset, the organisation would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be classified in Level 3 of the fair value hierarchy.

- 16.26 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that organisation can access at the measurement date.
- 16.27 A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value without adjustment when available.
- 16.28 An organisation shall make an adjustment to a Level 1 input except in the following circumstances:
- a) when the organisation holds many similar (but not identical) assets measured at fair value, and a quoted price is available in an active market but not readily accessible for each asset. In this case, as a practical expedient, the organisation may measure fair value using another pricing method that does not rely exclusively on quoted prices (e.g. matrix pricing). However, the use of an alternative pricing method results in a fair value measurement being classified to a lower level of the fair value hierarchy;
 - b) when the quoted price in an active market does not represent fair value at the measurement date. This could be the case, for example, for significant events (such as transactions in a market without intermediaries, a transaction in an brokered market or announcements) after the market closes but before the measurement date. However, if the quoted price is adjusted based on new information, the adjustment results in a fair value measurement being classified in a lower level of the fair value hierarchy.
- 16.29 Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- 16.30 If the asset has a specified (contractual) term, a Level 2 input shall be observable for substantially the full term of the asset. Level 2 inputs include the following:
- a) quoted prices for similar assets in active markets;
 - b) quoted prices for identical or similar assets in markets that are not active;
 - c) inputs other than quoted prices observable for the asset, for example:
 - interest rates and yield curves;
 - implied volatility; and
 - credit spreads.
 - d) market-confirmed inputs.
- 16.31 Adjustments to Level 2 inputs will vary according to factors specific to the asset. These factors include the following:
- a) the condition or location of the asset;
 - b) the extent to which inputs relate to items that are comparable to the asset; and
 - c) the volume or level of activity in the markets within which the inputs are observed.
- 16.32 An adjustment to a Level 2 input that is significant to the entire measurement may result in a fair value measurement being classified as Level 3 of the fair value hierarchy, if significant unobservable inputs are used in the adjustment.
- 16.33 Level 3 inputs are unobservable inputs for the asset.
- 16.34 Unobservable inputs shall be used to measure fair value when relevant observable inputs are not available. This allows for circumstances in which there is little, if any, market activity for the asset at the measurement date. However, the fair value measurement objective remains the same, which is the exit price at the measurement date from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the assumptions that market participants would use in pricing the asset, including assumptions about risk.

- 16.35 Risk assumptions include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include a risk adjustment would not be a fair value measurement, if market participants included that adjustment in pricing the asset.
- 16.36 The organisation shall develop unobservable inputs considering the best information available in the circumstances, which may include the organisation's own data. In developing unobservable inputs, the organisation may include its own data, but shall adjust those data, if reasonably available information indicates that other market participants would use different data or that some particular characteristics to the organisation is not available to other market participants (e.g. an organisation-specific synergy).

C Key Definitions

- 16.37 This Standard uses some terms which need to be explained in order to define the key concepts.
- a) **An active market** is a market in which transactions for an asset are executed frequently enough and in sufficient volume to provide price information on a regular basis.
 - b) **The market approach** is a valuation technique that takes into account prices and other relevant information that arises from market transactions involving identical or comparable (i.e. similar) assets, or a group of assets and liabilities.
 - c) **The cost approach** is a valuation technique that reflects the amount that would currently be required to replace the service capacity of an asset (often referred to as current replacement cost). This technique is not generally used to determine fair value for financial reporting purposes.
 - d) **The income approach** is a valuation technique that converts future amounts (e.g. cash flows) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations of those future amounts.
 - e) **The highest and best use** is the use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets or groups of assets and liabilities within which the asset would be used.
 - f) **Inputs** are assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as:
 - a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model); and
 - b) the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.
 - g) **Observable inputs** are Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use in pricing the asset or liability.
 - h) **Un-observable inputs** are inputs for which market data are not available and are developed using the best information available about the assumptions that market participants would use in pricing the asset or liability.
 - i) **Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets that the organisation can access at the measurement date.
 - j) **Level 2 inputs** are inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.
 - k) **Level 3 inputs** are unobservable inputs for an asset.
 - l) **Transaction costs** are the costs to sell an asset in the principal or most advantageous market for the asset that arise directly from the disposal of the asset and are directly attributable to, and material to, that transaction but would not have been incurred by the organisation if the decision to sell the asset had not been made.

- m) **The principal market** is the market with the largest volume and level of activity for the asset or liability.
- n) **The most advantageous market** is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

D Clarifications

- 16.38 Fair value can be measured reliably, if this is done in accordance with the rules and the definition of:
- a) Level 1 of the fair value hierarchy;
 - b) Level 2 of the fair value hierarchy; or
 - c) Level 3 of the fair value hierarchy.

Fair value measurements of financial instruments based on Level 3 of the fair value hierarchy may be carried out only in exceptional circumstances and only for financial instruments for which a reliable market is not readily identifiable. In these cases, the fair value may be determined on the basis of generally accepted valuation models and valuation techniques, if those techniques provide a reasonable approximation of market value.

The organisation determines the fair value of financial instruments by applying the valuation techniques set out in this Standard and, in addition, particularly for Level 3 inputs, International Valuation Standards. It is normally determined by certified valuers.

- 16.39 The fair value of an asset may be affected by a significant reduction in the volume or level of activity for that asset relative to the normal market activity for the asset or similar assets. To determine, based on the available evidence, whether there has been a significant reduction in the volume or level of activity for an asset, an organisation shall assess the significance and relevance of factors such as:
- a) a small number of recent transactions;
 - b) the failure to consider current information in price indications;
 - c) significant differences between price indications in different periods or between market makers (e.g. certain intermediary markets);
 - d) apparent disconnection of indicators that were previously highly correlated with the fair values of an asset with recent fair value indicators for that asset;
 - e) a significant increase in risk premiums due to implied liquidity, yields or performance indicators (such as violation rates or loss severity) for observable transactions or quoted prices when compared with the organisation's estimate of expected cash flows, taking into account all available market data on credit risk and other non-performance risk for the asset;
 - f) a wide price spread between the minimum and maximum bid prices, or a significant increase in that spread;
 - g) a significant reduction or absence of market activity for new issues (i.e. a primary market) for the asset or similar assets;
 - h) little publicly available information (e.g. for transactions executed in a market without intermediaries).

- 16.40 If an organisation determines that there has been a significant reduction in the volume or level of activity for an asset relative to the normal market activity for the asset or similar assets, additional analysis of transactions or quoted prices is required. A reduction in the volume or level of activity does not necessarily mean that the transaction price or quoted price does not represent fair value or that the transaction is not regular in that market. However, if an organisation determines that a transaction price or quoted price does not represent fair value (e.g. there may be transactions that are not regular), an adjustment to the transactions or quoted prices is necessary if the organisation uses

those prices as a basis for measuring fair value, and that adjustment may be relevant to the overall fair value measurement. Adjustments may also be necessary in other circumstances (e.g. when the price for a similar asset needs to be significantly adjusted to make it comparable to the asset being measured or if the price is obsolete).

- 16.41 Determining whether a transaction is regular (or not) is more difficult when there is a significant reduction in the volume or level of activity for an asset relative to the normal market activity for the asset or similar assets. In such circumstances, it should not be concluded that any transaction in that market is not regular (e.g. a forced liquidation or forced sale). Circumstances that may indicate that a transaction is not regular include the following:
- a) insufficient exposure to the market in the period before the measurement date to permit the marketing activities that are customary and applicable to transactions involving such assets under current market conditions;
 - b) a marketing period that is customary and applicable but the seller has sold the asset to only one market participant;
 - c) the bankruptcy or imminent bankruptcy of the seller (forced sale of the seller);
 - d) an urgent sale by the seller to meet regulatory or legal requirements (the seller has been forced);
 - e) a deviation of the transaction price from prices in other recent transactions for the same or similar asset or liability.

The organisation assesses the circumstances to determine whether, based on the available evidence, the transaction is regular.

- 16.42 In measuring fair value or estimating market risk premiums, an organisation shall consider all of the following factors:
- a) if the evidence indicates that the transaction is not regular, the organisation considers that transaction price to be less significant or insignificant (compared with other indicators of fair value);
 - b) if the evidence indicates that the transaction is regular, the organisation considers that transaction price; how significant the transaction price is relative to other fair value indicators depends on facts and circumstances such as the size of the transaction, the comparability to the asset being measured, and the proximity of the transaction to the measurement date;
 - c) if the organisation does not have sufficient information to determine whether the transaction is regular, it considers the transaction price. However, that transaction price may not represent fair value because the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums. When an organisation does not have sufficient information to determine whether particular transactions are regular, it considers those transactions to be less significant than other transactions that are known to be regular.

If an organisation is a party to a transaction, it is presumed to have sufficient information to determine whether the transaction is regular.

- 16.43 Transaction costs do not include transport costs. If the location is characteristic to the asset (as may be the case for example for commodities), the price in the principal or most advantageous market shall be adjusted for the costs, if any, that would be incurred in transporting the asset from its current location to the relevant market.

- 16.44 An organisation determines the fair value of non-financial assets by considering the valuation techniques set out in this Standard and, in addition, applying International Valuation Standards. It is normally determined by certified valuers.

E Date of Adoption and Effective Date

16.45 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 16 – *Identification and Measurement of Fair Value* (2016).

Slovenian Accounting Standard 17 (2024)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

A Introduction

This Standard applies to the bookkeeping, accounting for, and disclosure of impairment of assets. It deals with:

- a) the classification and measurement of impairment and scope of this standard;
- b) when to determine the recoverable amount;
- c) the measurement of recoverable amount;
- d) the impairment of goodwill; and
- e) the reversal of impairment loss.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 2, 3, 6, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification and Measurement of Impairment and the Scope of Standard Application

17.1 This Standard prescribes the procedures that an organisation applies to ensure that the carrying amount of property, plant and equipment and intangible assets would not exceed their recoverable amount. When the carrying amount of an item of property, plant and equipment or intangible assets exceeds their recoverable amount, the asset is impaired and the organisation shall recognise an impairment loss for the difference between the carrying amount and the recoverable amount of the asset.

17.2 An impairment loss is generally recognised in profit or loss as a revaluation operating expense.

b) Indications for the Estimate of Recoverable Amount

17.3 An asset shall be impaired when its carrying amount exceeds its recoverable amount.

17.4 An organisation is not required to estimate the recoverable amount of an asset at each reporting date. It shall simply assess at each reporting date whether there is any indication that the asset may be impaired. In assessing whether there is any indication that an asset may be impaired, an organisation considers indications from external and internal sources of information.

17.5 The most significant indications from external sources of information are:

- a) during the period, the market value of the asset has decreased more significantly than expected because of the passage of time or normal use;

- b) during the period, significant changes have occurred or are expected to occur in the foreseeable future, in the technological, market, economic or legal environment in which the organisation operates or in the market for which the asset is intended that adversely affect the organisation;
- c) market interest rates or other market returns on investments have increased during the period, and these increases are likely to affect the discount rate used in the value in use calculation and significantly reduce the asset's recoverable amount;
- d) the carrying amount of the net assets of the organisation is higher than the market capitalisation of the organisation.

17.6 The most significant indications from internal sources of information are:

- a) evidence is available that the asset is obsolete or physically damaged;
- b) significant changes in the extent or manner of the current or expected use of the asset that adversely affect the organisation have occurred during the period or are expected to occur in the foreseeable future. These changes include the asset not being used, plans to discontinue or reorganise the business to which the asset belongs or to dispose of the asset before a previously expected date, and a reassessment of the useful life of an intangible asset as a finite rather than an indefinite useful life;
- c) evidence is available from internal reporting that indicates that the economic performance of an asset is or will be less than expected, for example:
 - the cash flows to acquire the asset or the subsequent cash requirements to operate or maintain it are significantly greater than originally planned;
 - the actual net cash flows or operating profit flowing from the asset are significantly worse than planned; or
 - a significant decrease in the planned net cash flows or operating profit or a significant increase in the planned loss flowing from the asset.

If any such or similar indication exists, the organisation shall assess the asset's recoverable amount.

17.7 Notwithstanding the provisions of SAS 17.4, an organisation shall review annually the impairment of goodwill and intangible assets with indefinite useful lives or intangible assets that are not yet in use.

c) Measurement of the Recoverable Amount

17.8 The recoverable amount is the higher of fair value less costs to sell and value in use.

Thus, fair value less costs to sell represents the net amount that the organisation could obtain from the sale of an asset at the measurement date. Value in use, on the other hand, represents the present value of the estimated future net cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, taking into account the time value of money.

The determination and measurement of fair value is governed by *SAS 16 - Identification and Measurement of Fair Value*. If fair value cannot be measured reliably, value in use is taken as the recoverable amount.

17.9 The organisation shall determine the recoverable amount for an asset unless the asset generates net cash inflows that largely depend on those generated by other assets or groups of assets. In such a case, the recoverable amount is determined for the cash-generating unit to which the asset belongs, except if:

- a) the asset's fair value less costs to sell is greater than its carrying amount; or
- b) the asset's value in use can be estimated to be close to its fair value less costs to sell, and the latter can be reliably determined.

17.10 An organisation need not always determine both the fair value less costs to sell and the value in use of an asset. If either amount exceeds the carrying amount of the asset, the asset is not impaired and the other amount need not be estimated.

17.11 In calculating an asset's value in use, an organisation shall consider:

- a) an estimate of the future cash flows that the organisation expects to derive from the asset;
- b) expectations about possible changes in the value or timing of the distribution of those future cash flows;
- c) the time value of money represented by the current risk-free market interest rate;
- d) the cost of assuming the uncertainties inherent in the asset;
- e) other factors, such as non-liquidity, that market participants would consider in valuing the future cash flows that the organisation expects to derive from the asset.

17.12 The assessment of value in use comprises the following steps:

- a) estimating the future receipts and payments that will arise from the continuing use of the asset and from its ultimate disposal;
- b) applying an appropriate discount rate to those future cash flows.

The components in SAS 17.11. b), c) and d) may be reflected either as adjustments to future cash flows or as adjustments to the discount rate. Whichever method an organisation chooses to reflect its expectations about possible changes in the amount or timing of future cash flows, the result shall reflect the expected present value of the future cash flows, that is, the weighted average of all possible outcomes.

17.13 In measuring value in use, an organisation shall consider the following bases for estimating future cash flows:

- a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence;
- b) base cash flow projections on the most recent financial budgets/forecasts approved by management, but exclude estimates of future cash inflows or cash outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts shall cover a maximum period of five years unless management is convinced that such projections are reliable and can demonstrate its ability, based on past experience, to forecast cash flows accurately for such a longer period;
- c) estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country or countries in which the organisation operates, or for the markets in which the asset is used.

17.14 Estimates of future cash flows shall include:

- a) projections of cash inflows from the continued use of the asset;
- b) projections of cash outflows that are necessary to generate the cash inflows from the continued use of the asset (including cash outflows to prepare the asset for use), which can be reasonably and consistently attributed directly to the asset or allocated to it; and
- c) any net cash flows or cash outflows, if any, to be received (or paid) on the disposal of the asset at the end of its useful life.

Estimates of future cash flows and the discount rate shall reflect consistent assumptions about price increases attributable to general inflation. Therefore, if the discount rate includes the effects of price increases attributable to general inflation, future cash flows are estimated in nominal terms. If the discount rate excludes the effect of price increases attributable to general inflation, future cash flows

are estimated in real terms (but include projected future increases or decreases that are not due to general inflation).

Projections of future cash outflows include both the projected expenditures necessary for the ongoing maintenance of the asset as well as future overhead that can be reasonably and consistently attributed directly or allocated on a reasonable and consistent basis, to the use of the asset.

Future cash flows shall be estimated for the asset in its current condition. The value in use does not reflect:

- a) future expenditures or related cost savings (e.g. from reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an organisation is not yet committed; or
- b) future expenditures that will improve or enhance the asset's performance or the related cash inflows that are expected to arise from such expenditures.

17.15 When a cash-generating unit consists of assets with different estimated useful lives, all of which are essential to the continuing operation of the unit, the replacement of assets with shorter useful lives is considered to be part of the day-to-day maintenance of the unit when estimating the future cash flows associated with the unit. Similarly, when an asset consists of components with different estimated useful lives, the replacement of components with shorter useful lives is considered to be part of the day-to-day maintenance of the asset when estimating the future cash flows generated by the asset.

17.16 The discount rate(s) shall be a pre-tax rate(s) that reflects current market assessments:

- a) the time value of money;
- b) the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

A rate that reflects current market estimates of the time value of money and the risks specific to an asset represents the return that an investor would require if it could choose an investment that would generate cash flows in an amount, and with risks that are equivalent to those that the organisation expects from the asset. This measure is estimated based on the rate implicit in current market transactions for similar assets or on a weighted average cost of capital per listed organisation that has one asset (or set of assets) that is (are) similar in service potential and risks to the asset under consideration.

However, the discount rate(s) used in measuring value in use shall not incorporate risks that have already been taken into account in estimates of future cash flows. Otherwise, the effect of some assumptions would be taken into account twice. It is therefore very important that the assumptions used in the estimates of future cash flows are consistent with the way the discount rate is determined.

As the time value of money is taken into account by discounting the estimated future cash flows, such cash flows exclude receipts and payments from financing activities. As the discount rate is determined without taking into account the effects of taxation, future cash flows are estimated in the same way.

17.17 If the discount rate for an asset is not directly available in the market, it is usually determined by certified valuers on the basis of International Valuation Standards.

d) Impairment of Goodwill

17.18 All goodwill arising from a business combination (merger) is allocated to one or more cash-generating units. If the carrying amount of a cash-generating unit, including goodwill, exceeds its recoverable

ble amount, an impairment loss measurement of the cash-generating unit follows. The amount of an impairment loss for a cash-generating unit is equal to the excess of the carrying amount of the cash-generating unit over its recoverable amount.

- 17.19 An impairment loss is allocated as a reduction in the carrying amounts of the assets of a cash-generating unit in the following order:
- a) first, the carrying amount of goodwill allocated to the cash-generating unit (or group of units) is reduced;
 - b) then, if necessary, the carrying amounts of the other assets of the cash-generating unit (or group of units) are reduced proportionately to each asset's share of the carrying amount of the cash-generating unit.
- 17.20 In allocating an impairment loss, an organisation shall not reduce the carrying amount of an individual asset of a cash-generating unit below the highest of the following:
- a) fair value less costs to sell (if determinable);
 - b) value in use (if determinable);
 - c) zero.

The amount of the impairment loss that would otherwise be allocated to the asset shall be allocated proportionately to the other assets of the cash-generating unit.

- 17.21 An impairment loss cannot be reversed in goodwill.

e) Reversal of an Impairment Loss

- 17.22 An organisation shall assess at each reporting date whether there is any indication that an impairment loss recognised in previous years for an asset may no longer exist or may have decreased. In assessing whether there is any indication that an impairment loss on an asset recognised in prior years may no longer exist, the organisation considers indications from external sources of information, such as that the market value of the asset has increased significantly during the period (applying SAS 17.5); and from internal sources of information, such that there is evidence from internal reporting that the asset's economic performance is, or will be, better than expected (apply SAS 17.6). If any such indication exists, the organisation shall estimate the recoverable amount of that fixed asset.
- 17.23 Impairment losses recognised in respect of an asset (other than goodwill) in prior periods shall be reversed only when the estimate used to determine the asset's recoverable amount has changed since the last impairment loss was recognised.

In such a case, the carrying amount of the asset shall be increased to its recoverable amount, but the new carrying amount shall not be greater than the carrying amount that would have been determined, if no impairment loss had been recognised for the asset. Such an increase in the carrying amount of the asset is a reversal of the impairment loss.

- 17.24 A reversal of an impairment loss shall be recognised immediately in profit or loss as revaluation financial revenue unless the asset is carried at revalued amount under the revaluation model.

Any reversal of an impairment loss on a revalued asset shall be treated as an increase from the revaluation. The reversal of an impairment loss on a revalued asset shall be attributed directly to equity in the revaluation reserve.

However, if an impairment loss on the same revalued asset has previously been recognised in the income statement, the reversal of that impairment loss shall also be recognised in profit or loss.

- 17.25 A reversal of an impairment loss of a cash-generating unit shall be allocated as an increase in the carrying amount of the assets - other than goodwill - of that unit in proportion to the carrying amounts of those assets. Increases in carrying amount are treated as reversals of impairment losses on individual assets and recognised in accordance with SAS 17.24.
- 17.26 In allocating the reversal of an impairment loss of a cash-generating unit under SAS 17.25, the carrying amount of an individual asset shall not be increased beyond the lesser of:
- its recoverable amount (if determinable);
 - the carrying amount that would have been determined (net of any depreciation or amortisation) if no impairment loss had been recognised in previous periods.

The amount of the reversal of the impairment loss that would otherwise be allocated to the asset shall be allocated proportionately to other assets of the unit other than goodwill.

C Key Definitions

- 17.27 This Standard uses some terms which need to be explained in order to define the key concepts.
- A cash-generating unit** is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are generally considered units representing the lowest level in the organisation at which goodwill is controlled for internal management purposes.
 - Goodwill** recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination (acquiree) that are not individually identified and separately recognised.
 - An impairment loss** is the amount of by which the carrying amount of an asset exceeds its recoverable amount.
 - The recoverable amount** of an asset is the higher of an asset's fair value less costs to sell and its value in use.

D Clarifications

- 17.28 This Standard also applies to impairment of investment property measured at cost after recognition and investments in subsidiaries, associates and jointly controlled entities measured at cost. Impairment of other investments is governed by SAS 3.
- 17.29 Value in use is an organisation-specific value that reflects an organisation's knowledge and estimates, as well as organisation-specific factors that may be unique to the organisation and not to organisations in general.
- 17.30 Costs of sales that are deducted from fair value include, for example, legal costs, fees and similar charges, costs of disposing of the asset and direct incremental costs associated with preparing the asset for sale. Termination benefits under SAS 13 and costs associated with the reduction or reorganisation of operations following the disposal of an asset are not considered to be direct incremental costs of disposing of the asset.
- 17.31 A reversal of an impairment loss reflects an increase in the estimated value of an asset from the date of its use or sale after the date on which the organisation last recognised an impairment loss on that asset. Changes in estimates are a change in the basis for recoverable amount (that is, whether

recoverable amount is based on value in use or fair value less costs to sell), a change in the amount or timing of estimated future cash flows or the discount rate if the recoverable amount was based on value in use; or a change in the estimate of the components of fair value, if the recoverable amount was based on fair value less costs to sell.

- 17.32 The value in use of an asset may be higher than its carrying amount simply because the present value of future net receipts increases as cash flows approach. However, the service potential of the asset is not greater. Therefore, an impairment loss is not reversed merely because the passage of time, even if the asset's recoverable amount becomes higher than its carrying amount.

E Date of Adoption and Effective Date

- 17.33 This Standard was adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 15 November 2023. The Minister responsible for finance and the Minister responsible for economy gave their consent. Organisations with a financial year matching the calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall apply it from the first financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 17 – *Impairment of property, plant and equipment and intangible assets* (2016).

Slovenian Accounting Standard 20 (2024)

FORMATS OF A BALANCE SHEET FOR EXTERNAL FINANCIAL REPORTING

A Introduction

This Standard applies to the preparation of financial statements of accounts showing assets and liabilities at a certain point in time. It is used for external financial reporting and deals with:

- a) the classification of statements of financial position for external financial reporting,
- b) the basic classification of items in a balance sheet for external financial reporting,
- c) the adjusted classification of items in a balance sheet for external financial reporting, and
- d) the disclosure of items in a balance sheet for external financial reporting.

As regards the valuation of items included in the balance sheet, and additional disclosures, the Standard specifically relates to Slovenian Accounting Standards (SASs) 1–11, as well as to SAS 16 and SAS 17.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Statements of Financial Position for External Financial Reporting

- 20.1 A statement of financial position is a basic financial statement showing a true and fair view of assets and liabilities at a certain point in time at the end of the financial year for which it is prepared.
- 20.2 A statement of financial position is prepared for either general or specific purposes to meet the needs of external financial reporting. The scope and the classification of items in a statement of financial position depend on the type and the nature of the organisation.
- 20.3 A statement of financial position shall be prepared in a form of a balance sheet.

b) Basic Classification of Items in a Balance Sheet for External Financial Reporting

- 20.4 In large and medium-sized organisations the balance sheet shall be structured in compliance with the requirements of the Companies Act; it shall contain some additional items and some more precisely defined shorter technical terms used in the chart of accounts.

Assets

A Long-term assets

- I Intangible assets and long-term deferred costs and accrued revenue
 - 1 Concessions, patents, licences, trademarks and similar rights
 - 2 Goodwill

- 3 Advances for intangible assets
- 4 Long-term deferred development costs
- 5 Other long-term deferred costs and accrued revenue

II Property, plant and equipment

- 1 Land and buildings
 - a) Land
 - b) Buildings
- 2 Manufacturing plant and equipment
- 3 Other plant and equipment
- 4 Property, plant and equipment being acquired
 - a) Property, plant and equipment in the course of construction
 - b) Advances for acquisition of property, plant and equipment

In case of biological assets, the following items shall also be included:

- 1 Rearing herd
- 2 Long-term plantations

III Investment property

IV Long-term investments

- 1 Long-term investments, excluding loans
 - a) Shares and interests in group companies
 - b) Shares and interests in associates
 - c) Other shares and interests
 - d) Other long-term investments
- 2 Long-term loans
 - a) Long-term loans to group companies
 - b) Long-term loans to others
 - c) Long-term unpaid called-up capital

V Long-term operating receivables

- 1 Long-term operating receivables due from group companies
- 2 Long-term operating receivables due from customers / Long-term trade receivables
- 3 Long-term operating receivables due from others

VI Deferred tax assets

B Current assets

I Assets (disposal groups) held for sale

II Inventories

- 1 Material
- 2 Work in progress
- 3 Products and merchandise
- 4 Advances for inventories

III Short-term investments

- 1 Short-term investments, excluding loans
 - a) Shares and interests in group companies
 - b) Other shares and interests
 - c) Other short-term investments

- 2 Short-term loans
 - a) Short-term loans to group companies
 - b) Short-term loans to others
 - c) Short-term unpaid called-up capital

IV Short-term operating receivables

- 1 Short-term operating receivables due from group companies
- 2 Short-term operating receivables due from customers / Short-term trade receivables
- 3 Short-term operating receivables due from others

V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital

- 1 Share capital
- 2 Uncalled capital (as a deduction item)

II Capital surplus (share premium)

III Revenue reserves

- 1 Legal reserves
- 2 Reserves for own shares and interests
- 3 Own shares and interests (as a deduction item)
- 4 Statutory reserves
- 5 Other revenue reserves

IV Revaluation surplus

V Fair value reserves

VI Retained earnings or losses

VII Net profit or loss for the period

B Provisions and long-term accrued costs and deferred revenue

- 1 Provisions for pensions and similar liabilities
- 2 Other provisions
- 3 Long-term accrued costs and deferred revenue

C Long-term liabilities

I Long-term financial liabilities

- 1 Long-term financial liabilities to group companies
- 2 Long-term financial liabilities to banks
- 3 Long-term financial liabilities from bonds
- 4 Other long-term financial liabilities

- II Long-term operating liabilities
 - 1 Long-term operating liabilities to group companies
 - 2 Long-term operating liabilities to suppliers / Long-term trade payables
 - 3 Long-term bills payable
 - 4 Long-term operating liabilities from advances
 - 5 Other long-term operating liabilities

III Deferred tax liabilities

D Short-term liabilities

I Liabilities of disposal groups

II Short-term financial liabilities

- 1 Short-term financial liabilities to group companies
- 2 Short-term financial liabilities to banks
- 3 Short-term financial liabilities from bonds
- 4 Other short-term financial liabilities

III Short-term operating liabilities

- 1 Short-term operating liabilities to group companies
- 2 Short-term operating liabilities to suppliers / Short-term trade payables
- 3 Short-term bills payable
- 4 Short-term operating liabilities from advances
- 5 Other short-term operating liabilities

E Short-term accrued costs and deferred revenue

20.5 Theoretically possible items that are not relevant to a specific organisation shall not be presented in the balance sheet.

20.6 In a balance sheet, amounts are presented in two columns: the first comprises data at the balance-sheet date while the second presents data at the last date of the previous accounting period. Information relevant to the prior accounting period shall not be restated.

c) Adjusted Classification of Items in a Balance Sheet for External Financial Reporting

20.7 Medium-sized organisations are obliged to prepare their balance sheet in full-format, yet they are allowed to use an abbreviated format for public presentation, as follows:

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue

- 1 Intangible assets
- 2 Long-term deferred costs and accrued revenue

II Property, plant and equipment

- 1 Land and buildings

- (a) Land
 - (b) Buildings
 - 2 Manufacturing plant and equipment
 - 3 Other plant and equipment
 - 4 Advances for acquisition of property, plant and equipment; and property, plant and equipment in the course of construction
- In case of biological assets, the following items shall also be included:
- 1 Rearing herd
 - 2 Long-term plantations

III Investment property

IV Long-term investments

- 1 Long-term investments, excluding loans
 - a) Shares and interests in group companies
 - b) Other long-term investments
- 2 Long-term loans
 - a) Long-term loans to group companies
 - b) Other long-term loans

V Long-term operating receivables

- 1 Long-term operating receivables due from group companies
- 2 Long-term operating receivables due from others

VI Deferred tax assets

B Current assets

I Assets (disposal groups) held for sale

II Inventories

III Short-term investments

- 1 Short-term investments, excluding loans
 - a) Shares and interests in group companies
 - b) Other short-term investments
- 2 Short-term loans
 - a) Short-term loans to group companies
 - b) Short-term loans to others

IV Short-term operating receivables

- 1 Short-term operating receivables due from group companies
- 2 Short-term operating receivables due from others

V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital

- 1 Share capital
- 2 Uncalled capital (as a deduction item)

- II Capital surplus (share premium)

- III Revenue reserves
 - 1 Legal reserves
 - 2 Reserves for own shares and interests
 - 3 Own shares and interests (as a deduction item)
 - 4 Statutory reserves
 - 5 Other revenue reserves

- IV Revaluation surplus

- V Fair value reserves

- VI Retained earnings or losses

- VII Net profit or loss for the period

- B Provisions and long-term accrued costs and deferred revenue**
 - 1 Provisions
 - 2 Long-term accrued costs and deferred revenue

- C Long-term liabilities**
 - I Long-term financial liabilities
 - 1 Long-term financial liabilities to group companies
 - 2 Long-term financial liabilities to banks
 - 3 Other long-term financial liabilities

 - II Long-term operating liabilities
 - 1 Long-term operating liabilities to group companies
 - 2 Long-term operating liabilities to suppliers / Long-term trade payables
 - 3 Other long-term operating liabilities

 - III Deferred tax liabilities

- D Short-term liabilities**
 - I Liabilities of disposal groups

 - II Short-term financial liabilities
 - 1 Short-term financial liabilities to group companies
 - 2 Short-term financial liabilities to banks
 - 3 Other short-term financial liabilities

 - III Short-term operating liabilities
 - 1 Short-term operating liabilities to group companies
 - 2 Short-term operating liabilities to suppliers / Long-term trade payables
 - 3 Other short-term operating liabilities

E Short-term accrued costs and deferred revenue

20.8 Small organisations and micro organisations are allowed to breakdown their balance sheet merely to the following items:

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue

- 1 Intangible assets
- 2 Long-term deferred costs and accrued revenue

II Property, plant and equipment

III Investment property

IV Long-term investments

- 1 Long-term investments, excluding loans
- 2 Long-term loans

V Long-term operating receivables

VI Deferred tax assets

B Current assets

I Assets (disposal groups) held for sale

II Inventories

III Short-term investments

- 1 Short-term investments, excluding loans
- 2 Short-term loans

IV Short-term operating receivables

V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital

- 1 Share capital
- 2 Uncalled capital (as a deduction item)

II Capital surplus (share premium)

III Revenue reserves

- IV Revaluation surplus
- V Fair value reserves
- VI Retained earnings or losses
- VII Net profit or loss for the period
- B Provisions and long-term accrued costs and deferred revenue**
 - 1 Provisions
 - 2 Long-term accrued costs and deferred revenue
- C Long-term liabilities**
 - I Long-term financial liabilities
 - II Long-term operating liabilities
 - III Deferred tax liabilities
- D Short-term liabilities**
 - I Liabilities of disposal groups
 - II Short-term financial liabilities
 - III Short-term operating liabilities
- E Short-term accrued costs and deferred revenue**

d) Disclosure of Items in a Balance Sheet for External Financial Reporting

- 20.9 Organisations that are not subject to audit shall disclose only information and data required by law. Other organisations shall also comply with the disclosure requirements under this Standard. These disclosures are stipulated for all material matters. The organisation shall define the nature and level of materiality in its internal rules.
- 20.10 In relation to accounting policies, the following shall be described in the notes:
- a) the measurement bases used for economic categories stated in the balance sheet;
 - b) the accounting policies necessary for proper understanding of the balance sheet.
- 20.11 When a change in accounting policies significantly affects the current accounting period or any previously presented accounting period, the following shall be disclosed:
- a) the reason for the change;
 - b) the restatement amount for the relevant item in the financial statement; and
 - c) the restatement amount included in comparative information.
- 20.12 The following information shall be disclosed:
- a) the nature of a prior period error corrected in the accounting period considered;
 - b) the restatement amount of the item involved in the financial statement;
 - c) the correction amount included in comparative information; and

d) the transactions after the balance-sheet date and at the date of approval (adoption) of the annual report.

20.13 Assets and liabilities are restated in the balance sheet in accordance with the events after the balance sheet date, if these events give rise to additional evidence useful in estimating the amounts that affect the assets and liabilities at the balance sheet date or indicate that the going concern assumption relating to the organisation or its part is not correct. Assets and liabilities are not restated in accordance with the events after the balance sheet date that do not affect the balance of assets and liabilities at the balance-sheet date, but shall be disclosed if they are so material that they would otherwise reduce the possibility of balance sheet users to make appropriate estimates and to take correct decisions. In doing so, information shall be provided on the nature of the event and an estimate of the amount or a statement that such an estimate is not possible.

20.14 An organisation that is a joint stock or public limited company shall disclose dividends relating to the accounting period for which the balance sheet is prepared, proposed or published after the balance sheet date, but before the approval of the financial statements.

An organisation that is a joint stock or public limited company shall disclose the weighted average number of outstanding ordinary shares during the accounting period. The weighted average number of outstanding ordinary shares during the accounting period and in all periods presented shall be restated for events that change the outstanding ordinary shares, with no corresponding change in sources, except for conversions of potential (contingent) ordinary shares.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is increased by the weighted average number of ordinary shares that would be issued if the organisation converted all of the diluted potential ordinary shares to ordinary shares. Diluted potential ordinary shares are assumed to have been converted to ordinary shares at the beginning of the accounting period or at the date of issue of the potential ordinary shares, if later. For the purpose of calculating diluted earnings per share, the organisation shall assume the exercise of rights associated with diluted options and other diluted potential ordinary shares. The assumed proceeds from those issues shall be considered to have been received from the issue of shares at fair value. The difference between the number of shares issued and the number of shares issued by the company at fair value shall be treated as an issue of ordinary shares for no consideration. Potential ordinary shares shall be treated as diluted only if their conversion to ordinary shares reduces net profit per share from continuing ordinary operations.

20.15 Items in the balance sheet are stated at amortised cost as the difference between the total amount and the accumulated depreciation. Disclosed are also the actual or revalued cost and the accumulated depreciation of each category of property, plant and equipment at the end of the financial year. The notes also disclose which property, plant and equipment are acquired through finance leases.

20.16 Disclosures relating to each category in the balance sheet shall comply with the requirements explained in SASs 1-11.

C Key Definitions

20.17 This Standard uses some terms which need to be explained and defined.

- a) **Assets** are things, rights and cash expressed in a monetary unit of measure, which by right of property are at the disposal and under control of an organisation. From the financial point of view, assets are associated with an organisation's investing activity.
- b) **Equity and liabilities** are obligations arising from a legal relationship established by an organisation with equity holders and creditors with the aim of financing the organisation. The organ-

- isation maintains the assets held, and pays them back within specific periods of time, inclusive of the interest earned or another type of compensation. From the financial point of view, liabilities to equity holders and creditors are associated with an organisation's financing activity.
- c) **Long-term assets** are assets that are usually transformed during a period of more than one year. They comprise property, plant and equipment, intangible assets, long-term deferred costs, investment property, long-term investments, long-term operating receivables and deferred tax assets.
 - d) **Current assets** are assets that are usually transformed during a period of less than one year. They comprise assets held for sale, inventories, short-term operating receivables, short-term investments, cash and short-term deferred costs and accrued revenue.
 - e) **Investments** are loans given by lenders to borrowers (i.e. long-term or short-term investments in loans), and investments in shares and interests. In addition, they include purchased debt securities.
 - f) **Financial liabilities** are predominantly loans that borrowers received from lenders; for the former they represent long-term financial liabilities or short-term financial liabilities.
 - g) **Operating receivables** are receivables associated with the operating of an organisation, and not with its financing or investing activities; operating receivables can be long-term or short-term in nature.
 - h) **Operating liabilities** are liabilities associated with the operating of an organisation, and not with its financing or investing activities; operating liabilities can be long-term or short-term in nature.
 - i) **Equity** is a liability to the owners of the organisation as providers of funds for the organisation's activities; they fall due, if and when the organisation ceases to operate or a resolution is adopted to reduce the organisation's equity as the result of a decrease in the scope of its operations. When considered from a financial point of view, it may also be referred to as owners' capital to show that it should be distinguished from debt capital (creditors' capital).
 - j) **Liabilities in broader sense** are obligations of the organisation, arising from its legal and property relations, to settle amounts owed, to supply products owed or to render services owed.
 - k) **Long-term liabilities** are liabilities with ultimate maturity during a period of more than one year. Their portions that fall due within one year are short-term liabilities.
 - l) **Short-term liabilities** are liabilities with maturity of less than or equal to the period of one year.
 - m) **Statement of financial position** is a financial statement showing assets and equity and liabilities at a certain point in time. It may be presented in the format of a balance sheet or as a sequential statement of financial position.
 - n) **Own shares** (own interests) are shares (interests) that have been repurchased by the issuer.

D Clarifications

- 20.18 The classification of organisations into large, medium-sized and small ones is regulated by the Companies Act.
- 20.19 Rights to immovable property and other similar rights that are recognised and measured as intangible assets in the books of account under SAS 2, are presented in the balance sheet under the item land and buildings.
- 20.20 An annual balance sheet shall be prepared once the items in the books of account have been reconciled with the results of an inventory of assets and equity and liabilities, and under the assumption of compliance with the going concern principle.
- 20.21 The annual balance sheet shall take into account the application of net profit and the settlement of net loss according to the provisions of law or a resolution of the relevant body.

Liabilities for dividends and profit-sharing liabilities pertaining to the financial year for which the balance sheet is prepared shall be recorded in the following financial year.

20.22 The date of approval of the annual report shall be the date on which the Board of Directors or the management approves the annual report and thereby assumes responsibility for it. The date of approval (adoption) of the annual report is the date on which the competent body approves (adopts) the annual report.

E Date of Adoption and Effective Date

20.26 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 20 – *Formats of a Balance Sheet for External Business Reporting* (2016).

Slovenian Accounting Standard 21 (2024)

FORMATS OF AN INCOME STATEMENT FOR EXTERNAL FINANCIAL REPORTING

A Introduction

This Standard applies to the preparation of a financial statement, which shows profit or loss for a specified period for organisations founded under the Companies Act. This standard is applicable to external financial reporting. The specifics of income statements for certain organisations are regulated by SASs 30 to 39. It deals with:

- a) the classification of income statements for external financial reporting;
- b) the basic classification of items in an income statement for external financial reporting;
- c) the adjusted classification of items in an income statement for external financial reporting;
- d) the disclosure of items in an income statement for external financial reporting.

This Standard does not deal with the formats of reporting for tax or statistical purposes.

As regards the valuation of items included in the income statement and additional disclosure, this Standard relates to the Slovenian Accounting Standards (SASs) 1 to 17.

The Standard (Section B) shall be read in the context of key definitions (Section C), the clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Income Statements for External Financial Reporting

- 21.1 An income statement is a basic financial statement showing a true and fair view of the profit or loss of an organisation for the financial year for which it is prepared.
- 21.2 An income statement is prepared for either general or the specific purposes to meet the needs of external financial reporting. The scope and the classification of the items of this statement depend on its type and on the nature of the organisation.
- 21.3 The statement of (total) comprehensive income is a financial statement that gives a true and fair view of the components of the income statement for the periods for which it is prepared as well as the components of other comprehensive income.

Other comprehensive income includes those items that are not recognised in profit or loss but affect the size of total equity, if required by other SASs.

The total comprehensive income shows changes in equity during a period, except those resulting from transactions with owners.

Organisations that are not subject to audit shall prepare an income statement, but are not required to prepare a statement of (total) comprehensive income or other comprehensive income.

21.4 The income statement shall be presented in the form of a multi-step sequential income statement.

b) Basic Classification of Items in an Income Statement for External Financial Reporting

21.5 An income statement can be prepared in one of the two forms (format I and format II). The preferential format applied in this Standard is format I; however, an organisation is free to choose the format that best fits its needs, also with respect to its international relations.

21.6 In accordance with the requirements of the Companies Act, an income statement under format I shall have the following basic classification for all organisations, irrespective of their size.

- 1 Net sales
- 2 Change in inventories of products and work in progress
- 3 Capitalised own products and own services
- 4 Other operating revenue (including revaluation operating revenue)
- 5 Costs of goods, materials and services
 - a) Cost of goods and materials sold and costs of materials used
 - b) Costs of services
- 6 Labour costs
 - a) Payroll costs
 - b) Social security costs (with a separate presentation of pension insurance costs)
 - c) Other labour costs
- 7 Write-downs in value
 - a) Depreciation and amortisation expense
 - b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
 - c) Revaluation operating expenses associated with current operating assets
- 8 Other operating expenses
- 9 Financial revenue from shares
 - a) Financial revenue from shares in group companies
 - b) Financial revenue from shares in associates
 - c) Financial revenue from shares in other companies
 - d) Financial revenue from other investments
- 10 Financial revenue from loans
 - a) Financial revenue from loans to group companies
 - b) Financial revenue from loans to others
- 11 Financial revenue from operating receivables
 - a) Financial revenue from operating receivables due from group companies
 - b) Financial revenue from operating receivables due from others
- 12 Financial expenses due to impairment and write-offs of investments
- 13 Financial expenses for financial liabilities
 - a) Financial expenses for loans received from group companies
 - b) Financial expenses for loans received from banks
 - c) Financial expenses for bonds issued
 - d) Financial expenses for other financial liabilities
- 14 Financial expenses for operating liabilities
 - a) Financial expenses for operating liabilities to group companies
 - b) Financial expenses for operating liabilities to suppliers and bills payable
 - c) Financial expenses for other operating liabilities
- 15 Other revenue
- 16 Other expenses
- 17 Income tax
- 18 Deferred taxes

19 Net profit or loss for the period
(1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8 + 9 + 10 + 11 – 12 – 13 – 14 + 15 – 16 – 17 ± 18)

21.7 In accordance with the requirements of the Companies Act, an income statement under format II shall have the basic classification for all organisations, irrespective of their size.

- 1 Net sales
- 2 Production costs of goods sold (including depreciation and amortisation) or cost of goods sold
- 3 Gross profit or loss from sales (1-2)
- 4 Selling costs (including depreciation and amortisation)
- 5 General and administrative cost (including depreciation and amortisation)
 - a) General and administrative costs
 - b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
 - c) Revaluation operating expenses for current operating assets
- 6 Other operating revenue (including revaluation operating revenue)
- 7 Financial revenue from shares
 - a) Financial revenue from shares in group companies
 - b) Financial revenue from shares in associates
 - c) Financial revenue from shares in other companies
 - d) Financial revenue from other investments
- 8 Financial revenue from loans
 - a) Financial revenue from loans to group companies
 - b) Financial revenue from loans to others
- 9 Financial revenue from operating receivables
 - a) Financial revenue from operating receivables due from group companies
 - b) Financial revenue from operating receivables due from others
- 10 Financial expenses due to impairment and write-offs of investments
- 11 Financial expenses for financial liabilities
 - a) Financial expenses for loans received from group companies
 - b) Financial expenses for loans received from banks
 - c) Financial expenses for bonds issued
 - d) Financial expenses for other financial liabilities
- 12 Financial expenses for operating liabilities
 - a) Financial expenses for operating liabilities to group companies
 - b) Financial expenses for operating liabilities to suppliers and bills payable
 - c) Financial expenses for other operating liabilities
- 13 Other revenue
- 14 Other expenses
- 15 Income tax
- 16 Deferred taxes
- 17 Net profit or loss for the period (3 – 4 – 5 + 6 + 7 + 8 + 9 – 10 – 11 – 12 + 13 – 14 – 15 ± 16)

21.8 After preparing the income statement, in which an organisation presents items 1 to 19 of SAS 21.6 (format I) and items 1 to 17 of SAS 21.7 (format II), it shall prepare a statement of other comprehensive income, in which it shows item 19 of SAS 21.6 and items 20 to 24 of SAS 21.8 (format I) and item 17 of SAS 21.7 and items 18 to 22 of SAS 21.8 (format II), respectively.

The organisation shall present other comprehensive income items excluding the related tax effects (net method), and disclose the amount of deferred tax for each other comprehensive income item in the notes to the financial statements.

Format I

19 Net profit or loss for the period

- 20 Changes in revaluation surplus from revaluation of property, plant and equipment
- 21 Changes in reserves arising from fair value measurement
- 22 Gains and losses arising from the translation of financial statements of foreign operations (effects of changes in foreign exchange rates)
- 23 Other comprehensive income components
- 24 Total comprehensive income for the accounting period (19 + 20 + 21 + 22 + 23)

Format II

- 17 Net profit or loss for the period
- 18 Changes in revaluation surplus from revaluation of property, plant and equipment
- 19 Changes in reserves arising from fair value measurement
- 20 Gains and losses arising from the translation of financial statements of foreign operations (effects of changes in foreign exchange rates)
- 21 Other comprehensive income components
- 22 Total comprehensive income for the accounting period (17 + 18 + 19 + 20 + 21)

Instead of two statements, the first showing the income statement components (a separate statement) and the second starting with the profit or loss and showing other comprehensive income components (statement of comprehensive income), an organisation may present all items of recognised revenue and expenses in the accounting period in a single statement of (total) comprehensive income, in which it shows items 1-19 of SAS 21.6 and items 20-24 of SAS 21.8 (format I), or items 1-17 of SAS 21.7 and items 18-22 of SAS 21.8 (format II).

- 21.9 Theoretically possible items that are not relevant to a specific organisation shall not be presented in its income statement. The same applies to the statement of (total) comprehensive income. 21.10 In addition to item 24 of SAS 21.8 (format I) or item 22 of SAS 21.8 (format II) of the total comprehensive income for the accounting period, an organisation shall also present the following items:

- 25 or 23 Retained earnings (+)/Retained losses (-);
- 26 or 24 Reduction (reversal) in capital surplus (+);
- 27 or 25 Reduction (reversal) in revenue reserves, by type of revenue reserves (+);
- 28 or 26 Increase (additional formation of) in revenue reserves, by types of reserves (-);
- 29 or 27 Reduction by the amount of long-term deferred development costs at the balance sheet date (-);
- Accumulated profit (as the sum of net profit/net loss and corresponding items 25 or 23, 27 or 25, 28 or 26 and 29 or 27);
- Accumulated loss (as the sum of net profit/net loss and corresponding items 25 or 23, 26 or 27 or 25, 28 or 26 and 29 or 27).

If an organisation prepares a statement of changes in equity, the organisation shall present that information in a statement of changes in equity instead of in the income statement. If the organisation does not prepare a statement of changes in equity, it may do so in the income statement or in the notes to the financial statements.

- 21.11 The income statement shows the amounts in two columns: in the first column the data realised in the accounting period considered, and in the second column the data realised in the comparative previous accounting period.

c) Adjusted Classification of Items in an Income Statement for External Financial Reporting

- 21.12 The basic classification of items in an income statement shall be adjusted to the size of the organisation, and to its status as either a parent or a subsidiary organisation.

- 21.13 Large organisations shall additionally classify net sales into revenue from domestic sales and revenue from foreign sales.

21.14 Organisations that are neither parents nor subsidiaries, small organisations, micro organisations and organisations not subject to audit, will not classify items 9 to 14 in format I income statement under SAS 21.6, or items 7–12 in format II income statement under SAS 21.7.

d) Disclosure of Items in an Income Statement for External Financial Reporting

21.15 For all organizations the mandatory notes to the income statement are the notes, listed as such in the Companies Act. Other disclosures specified in the Slovenian Accounting Standards are mandatory for organisations that are subject to audit. Disclosures are required for all material matters. The nature and level of materiality shall be defined by the organisation in its rules.

21.16 Notes to the income statement shall include the following:

- a) the information about the basis of preparation of the income statement and the accounting policies selected and applied for significant transactions and other business events;
- b) the information required by the Companies Act and the Slovenian Accounting Standards that is not stipulated to appear in the income statement;
- c) additional information that is not stipulated to appear on the face of the income statement, but that is necessary for true and fair presentation.

21.17 All organisations shall disclose separately the nature and amount of their revenue and expenses of a significant value, unless presented elsewhere. These are primarily revenue and expenses relating to the following:

- a) the reduction in the value of inventories to the net realisable value or their write-off or accumulated depreciation of property, plant and equipment to the recoverable amount and the reversal (cancellation) of such accumulated depreciation;
- b) disposals of property, plant and equipment;
- c) disposals of investments;
- d) discontinued operations;
- e) settlement of litigations;
- f) restructuring of the organisation's operations and reversal (cancellations) of all restructuring provisions;
- g) other reversals (cancellations) of provisions.

21.18 In relation to accounting policies, the following shall be described in the notes:

- a) the measurement basis used for economic categories stated in the income statement;
- b) accounting policies necessary for proper understanding of the income statement;
- c) the nature of changes in accounting policies and accounting estimates as well as the reason and the amount of such changes (when the amount cannot be calculated, this fact should also be disclosed);
- d) the nature and the amount of the correction of a material error.

21.19 In the notes to the income statement an organisation shall include the following information, if not disclosed elsewhere:

- a) the seat and legal form of the organisation;
- b) the nature of the organisation's operations and its core activities;
- c) the name of the parent organisation;

21.20 In an organisation that is a public limited company, in addition to the items included in formats I and II of an income statement, net profit attributable to ordinary shareholders and, in particular, the net profit attributable to preference shareholders shall be present separately. Net profit attributable to ordinary shareholders shall be presented as basic net profit and diluted net profit. The latter is the net profit or loss attributable to ordinary shareholders, adjusted to the effects

of diluted potential ordinary shares. It differs from the former by the effect caused after the payment of taxes by:

- a) any dividends on diluted potential ordinary shares deducted in calculating the former;
- b) interest recognised in the accounting period for diluted potential ordinary shares; and
- c) any other changes in revenue or expenses arising from the conversion of diluted potential ordinary shares.

An organization shall present its basic and diluted earnings per share for all classes of ordinary shares associated with different rights to a share in the net profit for the accounting period. Both types of earnings shall be presented equally visible for all accounting periods presented. Such a presentation is required even when the presented amounts are negative (loss per share).

If the number of ordinary or potential ordinary shares outstanding increases as a result of a bonus issue of shares based on the transfer of reserves to the share capital or due to special premium to the existing shareholders or as a result of a share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all accounting periods presented shall be adjusted. If these changes occur after the balance sheet date, but before the publication of the financial statements, the calculations per share for those and for any prior period financial statements shall be based on the new number of shares. When per share calculations reflect such changes in the number of shares, that fact shall be disclosed. In addition, the basic and diluted net profit per share of all periods presented shall be adjusted for the effects of:

- a) material errors and adjustments resulting from changes in accounting policies;
- b) business combinations which represent uniting (pooling) of equity interests.

The following shall be disclosed:

- a) the amounts used as numerators in calculating basic and diluted net profit per share, and a reconciliation of those amounts with the net profit or net loss for the accounting period;
- b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted net profit per share and the reconciliation of these denominators to each other.

21.21 An organisation opting for format I income statement shall disclose, in the notes to the statement, the production costs of products sold and purchase cost of merchandise goods sold. However, the organisation opting for format II income statement shall disclose, in the notes to the statement, the costs by type, such as the cost of goods and materials sold, costs of materials used, costs of services, wages and salaries (payroll costs), social security costs (with a separate presentation of pension insurance costs in the notes), depreciation and amortisation expense, revaluation operating expenses associated with intangible assets and property, plant and equipment and revaluation operating expenses associated with current operating assets.

21.22 Disclosures in relation to specific categories in the income statement shall comply with requirements explained in SASs 12 to 17.

21.23 The net profit or loss (profit or loss after tax) from discontinued operations shall be disclosed (in the notes) separately.

21.24 An organisation is required to disclose in the notes the reclassification changes relating to items of other comprehensive income and affecting the profit or loss. Items of other comprehensive income shall be presented after the transfers to net profit or loss.

C Key Definitions

21.25 This Standard uses some terms which need to be explained and defined.

- a) **Net sales** represent the sales value of quantities sold reduced by discounts at the time of the sale or later (for example, cash discounts) and by the value of quantities returned.
- b) **Change in inventories of goods and work in progress** is the difference between their value at the end of the accounting period and their value at the beginning of the accounting period; if the value of inventories is higher at the end of the period, the change has a positive sign, otherwise a negative one.
- c) **Other capitalised own products and services** are self-constructed products or self-performed services which an organisation includes in its property, plant and equipment or intangible assets. They cannot (re)appear as part of inventories or costs or operating expenses, for instance in association with advertising. Since an organisation cannot present profit associated with capitalised own products or own services, they may be transferred to the relevant accounts of property, plant and equipment, intangible fixed assets, inventories or deferred and accrued items, without being recognised in revenue and expenses.
- d) **Reclassification adjustments** are the amounts of unrealised gains or losses that were recognised in other comprehensive income and transferred to profit or loss by the organisation based on the provisions of other SASs.

D Clarifications

21.26 In the format I income statement, the change in inventories of products and work in progress is the difference obtained by deducting the inventories at the beginning of the financial year from the inventories at the end of the same financial year.

21.27 The annual income statement shall be prepared after reconciling the items in the books of account with the results of the inventory of assets and liabilities, and under the assumption of compliance with the going concern principle. It does not take into account the legal provisions on the definition and measurement of individual items of revenue and expense as components of a relevant tax statement. Only the amount of income tax charged is taken into account in the annual income statement.

E Date of Adoption and Effective Date

21.28 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 21 – *Formats of an Income Statement for External Business Reporting* (2016).

Slovenian Accounting Standard 22 (2024)

FORMATS OF A CASH FLOW STATEMENT FOR EXTERNAL FINANCIAL REPORTING

A Introduction

This Standard applies to the preparation of a financial statement showing the changes in cash for a specified period, and designed in a manner which is characteristic of the financial way of thinking; it may be applied for external financial reporting. It deals with:

- a) the classification of cash flow statements for external financial reporting,
- b) the basic classification of items in cash flow statements for external financial reporting,
- c) the adjusted classification of items in cash flow statements for external financial reporting, and
- d) the disclosure of items in cash flow statements for external financial reporting.

As regards the valuation of items included in the cash flow statement, this Standard relates to the Slovenian Accounting Standards (SASs) 7, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), the clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Cash Flow Statements for External Financial Reporting

- 22.1 A cash flow statement is a basic financial statement showing a true and fair view of changes in cash during a financial year for which it is prepared.
- 22.2 A cash flow statement may be prepared using the direct method (format I in this Standard) or the indirect method (format II in this standard).
- 22.3 A cash flow statement shall report cash flows during the period generated by operating activities (subtotal A), investing activities (subtotal B) and by financing activities (subtotal C). The net cash flow or outflow during the period, and the opening and closing balance of cash in the period are shown in subtotal D.
- 22.4 A cash flow statement shall have a report format.

b) Basic Classification of Items in a Cash Flow Statement for External Financial Reporting

- 22.5 This Standard gives preference to the preparation of the cash flow statement by using the direct method (format I); however, an organisation is free to choose the one that best fits its possibilities of providing information.

22.6 A format I cash flow statement shall include, at a minimum, the following items:

A Cash flows from operating activities

a) *Cash receipts from operating activities*

Cash receipts from the sale of products and services

Other cash receipts from operating activities

b) *Cash payments from operating activities*

Cash payments to suppliers for materials and services

Cash payments to employees (wages and salaries) and shares in profit

Cash payments of taxes and contributions

Other cash payments from operating activities

c) *Net cash from operating activities (a + b)*

B Cash flows from investing activities

a) *Cash receipts from investing activities*

Interest and dividends received from investing activities

Cash receipts from disposal of intangible assets

Cash receipts from disposal of property, plant and equipment

Cash receipts from disposal of investment property

Cash receipts from disposal of investments

b) *Cash payments from investing activities*

Cash payments to acquire intangible assets

Cash payments to acquire property, plant and equipment

Cash payments to acquire investment property

Cash payments to acquire investments

c) *Net cash from investing activities (a + b)*

C Cash flows from financing activities

a) *Cash receipts from financing activities*

Cash proceeds from paid-in capital

Cash proceeds from increase in financial liabilities

b) *Cash payments from financing activities*

Interest paid on financing activities

Cash repayments of equity

Cash repayments of financial liabilities

Dividends and other profit shares paid

c) *Net cash from financing activities (a + b)*

D Closing balance of cash

x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc) +

y) Opening balance of cash

All cash payments in the cash flow statement are presented as negative items.

22.7 Under the direct method (format I), information about items (cash receipts and cash payments) of the cash flow statement are obtained:

- from an organisation's books of account (regarding cash flows from operating, investing and financing activities);
- by supplementing items of operating revenue and operating expenses (excluding revaluation) and items of financial revenue from operating receivables and financial expenses from operating liabilities (excluding revaluation) in the income statement with the changes in net current operating assets, accruals and deferrals, provisions and deferred taxes during the period.

22.8 Whenever an organisation applies the direct method (format I), it shall report on all types of cash flows by disclosing all major classes of gross cash receipts and gross cash payments.

22.9 A format II cash flow statement shall include, at a minimum, the following items:

A Cash flows from operating activities

a) Items of income statement

Operating revenue (except from revaluation) and financial revenue from operating receivables

Operating expenses excluding depreciation or amortisation expense (except from revaluation) and financial expenses from operating liabilities

Income taxes and other taxes not included in operating expenses

b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)

Opening less closing operating receivables

Opening less closing deferred costs and accrued revenue

Opening less closing deferred tax assets

Opening less closing assets (disposal groups) held for sale

Opening less closing inventories

Closing less opening operating liabilities

Closing less opening accrued costs and deferred revenue, and provisions

Closing less opening deferred tax liabilities

c) *Net cash from operating activities (a + b)*

B Cash flows from investing activities

a) *Cash receipts from investing activities*

Interest and dividends received from investing activities

Cash receipts from disposal of intangible assets

Cash receipts from disposal of property, plant and equipment

Cash receipts from disposal of investment property

Cash receipts from disposal of investments

b) *Cash payments from investing activities*

Cash payments to acquire intangible assets

Cash payments to acquire property, plant and equipment

Cash payments to acquire investment property

Cash payments to acquire investments

c) *Net cash from investing activities (a + b)*

C Cash flows from financing activities

a) *Cash receipts from financing activities*

Cash proceeds from paid-in capital

Cash proceeds from increase in financial liabilities

b) *Cash payments from financing activities*

Interest paid on financing activities

Cash repayments of equity

Cash repayments of financial liabilities

Dividends and other profit shares paid

c) *Net cash from financing activities (a + b)*

D Closing balance of cash

x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc) +

y) Opening balance of cash

All cash payments in the cash flow statement are presented as negative items.

22.10 Under the direct method (format II), information about items (cash receipts and cash payments) of the cash flow statement are obtained:

- a) by supplementing items of operating revenue and operating expenses (excluding revaluation) as well as items of financial revenue from operating liabilities and financial expenses from operating liabilities (excluding revaluation) in the income statement with the changes in net current operating assets, accruals and deferrals, provisions and deferred taxes during the period; and
- b) from the organisation's books of account (regarding cash flows from investing and financing activities).

Data on cash flows from investing activities and cash flows from financing activities, as acquired by the indirect method, shall not differ from data on the relevant cash flows as acquired on the basis of the direct method.

22.11 In a cash flow statement prepared under the indirect method (format II), cash flows from operating activities shall be presented by showing the disclosed operating revenue and expenses, financial revenue from operating receivables and financial expenses from operating liabilities, including taxes from the income statement, as well as the changes in current operating assets, accruals and deferrals, provisions and deferred taxes from the balance sheet.

22.12 Since neither format I nor format II cash flow statement includes inflows and outflows that are not clearly associated with cash receipts and cash payments (disbursements), an organisation shall disclose in an appendix to the cash flow statement the following information:

- an increase in property, plant and equipment associated with a simultaneous increase in share capital through contributions in kind and not through cash payments, which represents investing and financing activities with no cash involved;
- an increase in unpaid subscribed capital associated with a simultaneous increase in share capital, which represents formal investing and financing activities with no cash involved; and
- other major changes in investing and financing activities without using cash.

22.13 For the sake of comparison, information in a cash flow statement shall be presented in two columns: the first column shows amounts realised in the current accounting period, while the second column contains information of the previous accounting period.

22.14 In a cash flow statement, irrespective of its format, cash flows from operating, investing and financing activities are normally not presented in offset amounts. Specific types of cash receipts and cash payments may be offset against each other if the amounts of individual classes of gross cash receipts and cash payments are not significant.

c) Adjusted Classification of Items in a Cash Flow Statement for External Financial Reporting

22.15 Under a condensed format II of the cash flow statement, revenue of all types may be offset against expenses of any type excluding depreciation or amortisation; instead of these items, profit or loss before tax is included as a new line item in cash flows from operating activities. However, profit or loss before tax as well as income taxes shall be adjusted for depreciation and other non-monetary items, and the items whose monetary effects result in cash flows from investing and financing activities. In addition, changes during the period in net operating assets of the balance sheet items (including accruals and deferrals) shall be taken into account.

22.16 The condensed format II cash flow statement shall include, at a minimum, the following items of cash flows from operating activities:

A Cash flows from operating activities

a) Net profit or loss

Profit or loss before tax

Income taxes and other taxes not included in operating expenses

b) Adjustments for

Depreciation and amortisation (+)

Revaluation operating revenue (-)

Revaluation operating expenses (+)

Financial revenue excluding financial revenue from operating receivables (-)

Financial expenses excluding financial expenses from operating liabilities (+)

c) Changes in net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)

Opening less closing operating receivables

Opening less closing deferred costs and accrued revenue

Opening less closing deferred tax assets

Opening less closing assets (disposal groups) held for sale

Opening less closing inventories

Closing less opening operating liabilities

Closing less opening accrued costs and deferred revenue, and provisions

Closing less opening deferred tax liabilities

d) Net cash from operating activities (a + b + c)

Cash flow items from investing activities (subtotal B), cash flow items from financing activities (subtotal C) and the net cash (inflows or outflows) in total (subtotal D) are equal to those presented in format II cash flow statement under SAS 22.9.

22.17 The basic classification of items in a cash flow statement shall be adjusted to the size of the organisation.

d) Disclosure of Items in a Cash Flow Statement for External Financial Reporting

22.18 An organisation shall disclose whether the cash flow statement was prepared as format I or format II, as well as the sources of data and information presented in it.

22.19 An organisation shall disclose the components of cash and present the reconciliation between the amounts in its cash flow statement with the relevant items included in the balance sheet.

22.20 Cash flows from interest and dividends received or interest and dividends paid shall be classified and disclosed as cash flows from operating, investing and financing activities.

C Key Definitions

22.21 This Standard uses some terms which need to be explained and defined.

a) Receipts are monetary funds received during the accounting period; they may be cash or non-cash funds.

b) Payments (disbursements) are monetary assets used during a period in association with specific matters; they may be cash or non-cash assets.

- c) **Inflows** are changes in assets during a period resulting from new financing or disinvesting activities; they apply to indirect determination of cash receipts.
- d) **Outflows** are changes in assets during a period resulting from definancing or investing activities; they apply to indirect determination of cash payments.
- e) **Operating activities** comprise the making of products and rendering of services as well as their selling through the elements of a business process.
- f) **Investing activities** are activities that result in the changing of monetary assets to non-monetary assets during an accounting period. In a narrow sense they do not comprise operating receivables, inventories and deferred costs, which are recognised in indirect determination of cash receipts from operating activities.
- g) **Financing activities** are activities that result in changes of assets during the accounting period resulting from the changes in the size of equity or liabilities. In a narrow sense they do not comprise changes in the size of equity resulting from net profit or loss for the accounting period, changes in the amount of operating liabilities and changes in the amount of accrued costs and deferred revenue and of provisions, which are recognised in the indirect determination of cash receipts from operating activities.
- h) **Cash** comprises cash on hand, deposit money in bank accounts, cash in transit and cash equivalents. Cash shall be understood in broader terms, also including cash equivalents. Cash is dealt with in detail under SAS 7.
- i) **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are dealt with in more detail in SAS 7.
- j) **Cash flows** are the receipts and payments of cash. They are also the inflows and outflows used in the indirect determination of receipts and payments.
- k) **Gross receipts and payments** are cash flows reported net of offsetting.
- l) **Current assets** are current assets less current financial investments plus long-term operating receivables and short-term deferred costs and accrued revenue.
- m) **Net current assets** are current assets less current liabilities which give rise to the presence of current assets.

D Clarifications

22.22 The cash flow statement provides significant information for decision making in operating, financing and investing activities. On the basis of this information, it is possible to identify the reasons for increases or decreases in cash balances during the accounting period. Cash may increase as a result of operating activities, new financing activities (in a narrower sense) or disinvesting (in a narrower sense); on the other hand, cash may decrease as a result of operating activities, investing (in a narrow sense) or definancing (in a narrower sense).

22.23 Within a specific class of assets (i.e. intangible assets and property, plant and equipment), the cost of newly acquired items (cash payments) is considered an increase in assets, while the

payments received for the value of disposed items (cash receipts) is considered a decrease in assets.

- 22.24 Within a specific class of liabilities, the obtained new loans and the like (cash receipts) are considered an increase in liabilities, while their repayment (cash payments) is a decrease in liabilities. An increase in liabilities due to the acquisition of assets without any cash involved shall not be considered a cash receipt (for example, a finance lease or an acquisition of assets on deferred payment).
- 22.25 Changes in equity shall be recognised separately from its increase or decrease. In this context, called-up capital, capital surplus, revenue reserves and retained earnings or retained net loss are considered to be items of equity, whereas an increase or a decrease in equity resulting from the net profit or net loss for the accounting period shall not be taken into account.
- 22.26 A change in revaluation surplus and fair value reserves shall not be presented in the cash flow statement since it is not related to cash receipts and cash payments (disbursements). Unrealised foreign exchange gains and losses are not associated with cash receipts and cash payments and shall not be included in cash flows. For the sake of reconciliation of cash at the beginning and at the end of the period, however, the influence of changes in exchange rates on the existing foreign currency cash shall be presented separately from the cash flows from operating, investing and financing activities. The opening balance of cash shall be adjusted for the impact of the changes in exchange rates on the existing cash.
- 22.27 In a cash flow statement prepared in accordance with format II of SAS 22.9 or SAS 22.16, for cash flows from operating activities (subtotal A) when calculating the change in net working capital, only operating liabilities that are not related to changes arising from the acquisition of intangible assets, property, plant and equipment, investment property and investments shall be taken into account when determining the difference between the closing and opening operating liabilities. Similarly, when determining the difference between opening and closing operating receivables, only operating receivables that are not related to changes in the disposal of intangible assets, property, plant and equipment, investment property and financial investments are considered.
- 22.28 In a cash flow statement, deduction items (i.e. items that result in a decrease in cash) shall be presented either in brackets or with a minus (–) sign; in either case, their nature shall be explained in the text.

E Date of Adoption and Effective Date

- 22.29 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 22 – *Formats of a Cash Flow Statement for External Financial Reporting* (2016).

Slovenian Accounting Standard 23 (2024)

FORMATS OF A STATEMENT OF CHANGES IN EQUITY FOR EXTERNAL FINANCIAL REPORTING

A Introduction

This Standard applies to the preparation of a financial statement showing the changes in all components of equity, including the distribution of net profit and the settlement of loss for the period considered; it applies to external financial reporting. It deals with:

- a) the classification of statements of changes in equity for external financial reporting,
- b) the basic classification of items in a statement of changes in equity for external financial reporting,
- c) the adjusted classification of items in a statement of changes in equity for external financial reporting, and
- d) the disclosure of items in a statement of changes in equity for external financial reporting.

As regards the valuation of items included in the statement of changes in equity and additional disclosures, the Standard relates to Slovenian Accounting Standards (SASs) 1–11 (specifically to SAS 8). The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024).

B The Standard

a) Classification of Statements of Changes in Equity for External Financial Reporting

- 23.1 A statement of changes in equity is a basic financial statement showing true and fair view of changes in the components of equity for the financial year for which it is prepared.
- 23.2 A statement of changes in equity may be prepared to show the changes in all components of equity included in the balance sheet.
- 23.3 A statement of changes in equity may have the format of a schedule of changes in all components of equity.

b) Basic Classification of Items in a Statement of Changes in Equity for External Financial Reporting

- 23.4 The first dimension in the schedule (the columns) presents various types of equity in which changes occur in either one or more types of equity, including the opposite signs:
- I Called-up capital
 - 1 Share capital
 - 2 Uncalled capital (as a deduction item)
 - II Capital surplus
 - III Revenue reserves
 - 1 Legal reserves

- 2 Reserves for own shares and interests
- 3 Own shares and interests (as a deduction item)
- 4 Statutory reserves
- 5 Other revenue reserves

- IV Revaluation surplus

- V Fair value reserves

- VI Retained earnings
 - 1 Retained net profit
 - 2 Retained net loss

- VII Net profit or loss for the period
 - 1 Net profit for the period
 - 2 Net loss for the period

- VIII Total

Economic categories shown either in brackets or with a minus (-) sign are deduction items. In the case of uncalled capital, the amount shown in brackets is a deduction item, which implies a decrease in called-up capital. Whenever uncalled capital is called up, the uncalled capital (as a deduction item) shall be reduced and the called-up capital shall be increased accordingly.

- 23.5 The second dimension in the schedule (the lines) shows potential phenomena that have resulted in the change of at least one of the mentioned economic categories. Such phenomena may include:
- A 1 Balance at the end of the previous reporting period
 - a) Retroactive restatements
 - b) Retroactive readjustments
 - A 2 Opening balance for the reporting period
 - B 1 Changes in equity – transactions with owners
 - a) Subscription of called-up share capital
 - b) Subscription of uncalled share capital
 - c) Call for subscribed share capital
 - d) Additional paid-in capital
 - e) Purchase of own shares or interests
 - f) Disposal or cancellation of own shares and interests
 - g) Repayment of equity
 - h) Dividend pay-out
 - i) Payment of remuneration to managing and supervisory bodies
 - j) Other changes in equity
 - B 2 Total comprehensive income for the reporting period
 - a) Entry of net profit or loss for the reporting period
 - b) Change in revaluation surplus from revaluation of property, plant and equipment
 - c) Change in reserves arising from measurement of investments at fair value
 - d) Other components of comprehensive income for the reporting period
 - B 3 Changes within equity
 - a) Allocation of the remaining part of net profit for a comparative reporting period to other components of equity
 - b) Allocation of part of net profit for the reporting period to other components of equity based on a decision of the managing and supervisory bodies
 - c) Allocation of part of net profit for the formation of additional reserves based on the resolution of the shareholders' meeting

- d) Settlement of loss as a deduction component of equity
- e) Formation of reserves for own shares and interests from other components of equity
- f) Reversal of reserves for own shares and interests, and allocation to other components of equity
- g) Other changes in equity

E Closing balance for the reporting period

The amounts shown either in brackets or with a minus (-) sign are deduction items. Each line item under B 3 Changes within equity simultaneously contains both additions and deductions of various components of equity which cancel each other out.

- 23.6 Theoretically possible items that are not relevant to a specific organisation shall not be presented in the statement of changes in equity.
- 23.7 For comparative purposes, the statement of changes in equity shall show the amounts realised in the accounting period under review and the amounts realised in the same previous accounting period. Comparative data of the statement of changes in equity for the previous accounting period can be transferred to the notes.

c) Adjusted Classification of Items in a Statement of Changes in Equity for External Financial Reporting

- 23.8 Potential retroactive adjustments due to changes in accounting policies and retroactive restatements due to the correction of errors shall relate to the balance of retained earnings / loss for the financial year and are reflected in an adjustment to the opening balance of retained earnings / loss for the financial year.
- 23.9 A separate supplement to the statement of changes in equity is the presentation of the accumulated profit or accumulated loss as a legally defined decision category stipulated in the Companies Act:
 - a) Net profit or loss for the financial year
 - b) + Retained earnings / retained net loss (as a deduction item)
 - c) + Decrease in capital surplus
 - d) Decrease in revenue reserves
 - e) Increase in revenue reserves based on a decision of the managing and supervisory bodies (legal reserves, reserves for own shares and interests, and statutory reserves)
 - f) Increase in revenue reserves based on a decision of the managing and supervisory bodies (other revenue reserves)
 - g) Amount of long-term deferred development costs at the balance sheet date
 - h) = Accumulated profit (a + b + c - d - e - f) distributed by the shareholders' meeting for dividends to shareholders, allocated to other reserves, carried forward to the following period, and appropriated for other purposes or = Accumulated loss (a + b + c + d - e - f).

The organisation may present, instead in the statement of changes in equity, the classification of line items B 2 Total comprehensive income for the reporting period from (a) to (d), and B 3 Changes within equity from (a) to (g) in the notes, and present only B 2 Total comprehensive income for the reporting period and B 2 Changes within in equity in the statement of changes in equity.

d) Disclosure of Items in a Statement of Changes in Equity for External Financial Reporting

23.10 An organisation shall explain the reasons underlying each and every change in any individual economic category and the link between changes to equity (lines from B 1, B 2, and B 3 in SAS 23.5) and the changes in economic categories included in the balance sheet and in the income statement or in the statement of comprehensive income.

23.11 Any potential retroactive adjustments due to changes in accounting policies and retroactive restatements made for the correction of errors from prior periods that refer to the balance of retained earnings require disclosures concerning both the relevant prior periods and the opening balance of the current accounting period.

23.12 Changes in reserves and in the revaluation surplus shall be dealt with by type of change.

An organisation shall disclose the distribution of the net profit and the settlement of the net loss for the period in its annual statement of changes in equity after the organisation's financial statements for the previous accounting (reporting) period have been approved by the competent body. The dividends associated with the reporting period for which the statement of changes in equity has been prepared, as well as other decisions adopted by the shareholders' meeting of the public limited company shall be presented in the subsequent reporting period.

C Key Definitions

1.13 This Standard uses terms which need to be explained and defined.

- a) **Revaluation surplus** is a revaluation of equity due to increases in the value of property, plant and equipment.
- b) **Fair value reserves** relate to unrealised gains or losses associated with revaluation of available-for-sale investments, to fair value, actuarial gains or losses associated with retirement benefits and amounts of the proven gain or proven loss due to a change in fair value of available-for-sale financial assets that is not part of a hedging relationship.
- c) **Total comprehensive income** for the reporting period encompasses net profit or loss for the reporting period and other comprehensive income that encompasses items of (unrealised) profit and loss that are not recognised in profit or loss.

D Clarifications

23.14 In SAS 23.4, the component under I 1 Share capital usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: increase resulting from the subscription of called-up share capital (simultaneously with an increase in monetary or physical assets and/or receivables), and increase resulting from the subscription of uncalled capital (simultaneously with an increase in uncalled capital as a deduction item) and a decrease resulting from the withdrawal of share capital (simultaneously with a decrease in monetary or physical assets or receivables); line B 3: increase resulting from the merger of other components of equity, i.e. of

capital surplus, legal reserves, statutory reserves, other revenue reserves, fair value reserves, revaluation surplus or net profit carried forward to the newly defined share capital (simultaneously with a decrease in those other components of equity), but also a decrease due to the settlement of the retained loss or loss for the period by reducing share capital, or a decrease resulting from the transfer to capital surplus (simultaneously with an increase in that surplus); line C: closing balance.

- 23.15 In SAS 23.4, the component under I 2 Uncalled capital (as a deduction item) usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: increase resulting from the subscription of uncalled share capital (simultaneously with an increase in the share capital), decrease resulting from the call for the subscribed share capital (simultaneously with receivables due from the subscriber to shares); and line C: closing balance as an item to be deducted from share capital.
- 23.16 In SAS 23.4, the component under II Capital surplus usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2 opening balance for the reporting period; line B 1: increase resulting from the surplus of payments above the nominal value of shares or interests in equity, increase resulting from the amounts acquired by the organisation on the issue of convertible bonds or bonds issued with the call option of shares above the nominal value of such bonds, and increase resulting from amounts additionally paid-in by shareholders to acquire additional rights from shares (simultaneously with an increase in assets) and a decrease resulting from the withdrawal of share capital (simultaneously with a decrease in monetary or physical assets or receivables); line B 3: decrease resulting from the settlement of the net losses for the period or loss brought forward from previous years (simultaneously with a decrease in that loss), a decrease resulting from the transfer to share capital (simultaneously with an increase in the share capital), increase resulting from reversal of reserves for own shares and interests (simultaneously with a decrease in reserves for own shares and interests which have been created by transfer from capital surplus), and increase based on a decrease in share capital; line C: closing balance.
- 23.17 In SAS 23.4, the component under III 1 Legal reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments, line A 2: opening balance for the reporting period; line B 3: increase resulting from the allocation of the net profit for the reporting period or of the retained earnings (simultaneously with a decrease in the net profit as a components of equity), increase resulting from other reserves, and a decrease resulting from the settlement of net loss for the reporting period or of retained loss (simultaneously with a decrease in that loss as a deduction component of equity), decrease resulting from the increase in share capital; and line C: the closing balance.
- 23.18 In SAS 23.4, the component under III 2 Reserves for own shares and interests usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments, Line A 2: opening balance for the reporting period; line B 3: increase resulting from the allocation of the net profit for the reporting period or retained earnings (simultaneously with a decrease in the net profit as a components of equity), increase resulting from the transfer from the statutory reserves or other revenue reserves (simultaneously with a decrease in those reserves), and decrease resulting from their repayment to other components of equity from which the reserves have been formed when the need to cover the value of purchased own shares and interests no longer exists (simultaneously with an increase in those components); line C: closing balance.
- 23.19 In SAS 23.4, the component under III 3 Own shares and interests (as a deduction item) usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting

period; line B 1: increase (as a deduction item) resulting from the acquisition of own shares and interests and decrease resulting from disposal or cancellation of own shares and interests; and line C: closing balance (as a deduction item).

- 23.20 In SAS 23.4, the component under III 4 Statutory reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1 decrease resulting from the utilisation of statutory reserves (simultaneously with a decrease in assets); line B 3: increase resulting from the allocation of net profit for the reporting period or retained earnings (simultaneously with a decrease in the net profit as a component of equity), decrease resulting from potential transfers to other components of equity, such as share capital or reserves for own shares and interests (simultaneously with an increase in those components), increase resulting from the reversal of transfers to other components of equity, such as reserves for own shares and own business interests (simultaneously with a decrease in those components), and a decrease due to the settlement of a loss (with a simultaneous decrease in the loss as a deductible component of equity), and, line C: the closing balance.
- 23.21 In SAS 23.4, the component under III 5 Other revenue reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2; opening balance for the reporting period; line B 1: decrease resulting from the utilisation of other revenue reserves (simultaneously with a decrease in assets); line B 3: increase resulting from the allocation of the net profit (simultaneously with a decrease in the net profit as a component of equity), decrease resulting from potential transfers to other components of equity, such as share capital or reserves for own shares and interests (simultaneously with an increase in those components), increase resulting from the reversal of transfers to other components of equity, such as reserves for own shares and interests (simultaneously with a decrease in those components), and decrease resulting from the settlement of loss (simultaneously with a decrease in loss as a deduction component of equity); line C: closing balance.
- 23.22 In SAS 23.4, the component under IV Revaluation surplus usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: increase resulting from the measurement of assets where their differences do not yet affect the profit or loss for the reporting period, the higher fair value (simultaneously with an increase in assets), increase resulting from the reversal of value adjustments of revaluation surplus for deferred tax, decrease resulting from the measurement of assets at lower fair value, decrease resulting from impairment of assets, in respect of which this component of equity initially arises (simultaneously with a decrease in assets), decrease resulting from the formation of a valuation adjustment of revaluation surplus for deferred tax, and a decrease resulting from a transfer to operating revenue or finance revenue as it has to be included in the formation of net profit or loss for the reporting period, and line C: closing balance.
- 23.23 In SAS 23.4, the component under V Fair value reserves usually comprises the following items from SRS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B2: increase resulting from the measurement of assets, where their differences do not yet affect the net profit or loss for the reporting period, the higher fair value (simultaneously with an increase in assets), increase resulting from the reversal of value adjustment of reserves, resulting from revaluation to fair value for deferred tax, decrease resulting from the measurement of assets at a lower fair value, decrease resulting from impairment of assets, in respect of which this component of equity initially arises (simultaneously with a decrease in assets), decrease resulting from formation of value adjustment of reserves, arising from the revaluation to fair value for deferred tax, and a decrease resulting from a transfer to financial revenue as it has to be included in the formation of net profit or loss for the reporting period (simultaneously with an increase in financial revenue), line C: closing balance.

- 23.24 In SAS 23.4, the component under VI 1 Retained earnings usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: decrease resulting from the payment of dividends (simultaneously with a decrease in assets or an increase in liabilities to shareholders); line B 3: decrease resulting from the withdrawal of equity (simultaneously with an increase in capital surplus), decrease resulting from the reallocation to revenue reserves (simultaneously with an increase in those reserves), decrease resulting from the settlement of loss from previous years (simultaneously with a decrease in loss as a deduction component of equity), increase resulting from the reallocation of the net profit for the reporting period (simultaneously with a decrease in the net profit for the financial year), or decrease resulting from the transfer to share capital (simultaneously with an increase in share capital); line C: closing balance.
- 23.25 In SAS 23.4, the component under VI 2 Retained net loss usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 3: increase resulting from the transfer of net loss for the reporting period to retained net loss, decrease resulting from reallocation of net profit for the reporting period (simultaneously with a decrease in its remaining balance among components of equity) and decrease resulting from settlement of loss by means of retained earnings, other revenue reserves, statutory reserves, capital surplus and legal reserves (simultaneously with a decrease in those components of equity); and line C: closing balance.
- 23.26 In SAS 23.4, the component under VII 1 Net profit for the period usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: entry of the net profit from the income statement for the reporting period (simultaneously with a transfer from that statement); line B 3: decrease resulting from the settlement of retained loss (simultaneously with a decrease in its remaining balance as a deduction component of equity), decrease resulting from allocation to other components of equity (simultaneously with an increase in those components), and decrease resulting from subsequent inclusion in retained earnings (simultaneously with its increase); line C: closing balance.
- 23.27 In SAS 23.4, the component under VII 2 Net loss for the period usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: entry of the net loss for the reporting period; line B3: decrease resulting from settlement of loss by means of retained earnings, other revenue reserves, statutory reserves, capital surplus and legal reserves (simultaneously with a decrease in those components of equity), and decrease resulting from subsequent inclusion in retained loss (simultaneously with its increase); and line C: closing balance.
- 23.28 The presentation of accumulated profit or accumulated loss as required by the Companies Act is the basis for decision-making by the supervisory board or by the shareholders' meeting, leading to the final changes presented in the statement of changes in equity. It allows the shareholders' meeting to distribute less than the net profit for the period if reserves need to be increased and/ or the organisation has long-term deferred development costs at the balance sheet date, and no other increases are available, or to distribute more than the net profit for the period, if retained earnings and/or reserves are also used for this purpose. The accumulated loss may be lower than the loss for the period if it can be settled by means of net profit from previous years or by reducing reserves; it may even be higher than the loss for the period if the retained loss has to be added and no other reduction are possible and long-term deferred development costs. When deciding how to determine and to distribute the accumulated profit and the accumulated loss, an organisation shall consider the possibilities and consequences from a financial point of view.

E Date of Adoption and Effective Date

23.29 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 23 – *Formats of a Statement of Changes in Equity for External Business Reporting* (2016).

Slovenian Accounting Standard 30 (2024)

ACCOUNTING SOLUTIONS FOR SOLE PROPRIETORS

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards, the Framework of SASs and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Sole proprietors apply those standards directly in recognising, derecognising, measuring and valuation of assets and equity and liabilities, measuring and presenting revenue, expenses, profit or loss, cash flows and movement of equity.

In addition to the provisions of those Standards, sole proprietors (individuals) shall also comply with the provisions of this Standard.

Single-entry bookkeeping is permitted for sole proprietors under certain conditions. It is set out in Appendix I to this Standard.

Sole proprietors whose enterprise meets the criteria for a micro company may also prepare financial statements for external financial reporting in a condensed format, which is presented in Appendix II to this Standard.

B The Standard

30.1 The annual report of a small sole proprietorship comprises the balance sheet and the income statement.

The annual report of a medium-sized and large sole proprietorship shall comprise the balance sheet, the income statement, the notes, and disclosures.

The annual report shall be prepared by the sole proprietor on the basis of the information recorded in the books of account, combined with an inventory of assets and liabilities at the end of the accounting period.

30.2 The breakdown of a sole proprietor's balance sheet shall depend on its size in accordance with SAS 20 – Formats of a Balance Sheet for External Financial Reporting. In the case of equity and liabilities, the sole proprietor shall show the following items instead of item A Equity:

A Sole proprietor's equity

- I Sole proprietor's initial capital
- II Transfers of physical assets in the course of business
- III Cash inflows and outflows
- IV Revaluation surplus
- V Fair value reserves
- VI Sole proprietor's revenue or loss

30.3 Items in the balance sheet of a medium-sized and large sole proprietor for external financial reporting

shall be disclosed in accordance with SAS 20 - Formats of Balance Sheets for External Financial Reporting.

- 30.4 A sole proprietor shall prepare an income statement as set out in SAS 21 Formats of an Income Statement for External Financial Reporting in paragraph SAS 21.6 (format I), except that:
- a) number 17 Income tax and number 18 Deferred taxes shall not apply;
 - b) number 19 Net profit or loss for the period shall be defined as the sole proprietor's net profit or loss.

Difference between revenue and expenses is the sole proprietor's profit if revenue are higher than the expenses, or loss if expenses are higher than the revenue.

- 30.5 Items in the income statement of a medium-sized and large sole proprietorship shall be disclosed in accordance with SAS 21 – *Formats of an Income Statement for External Financial Reporting*.
- 30.6 A medium-sized or large sole proprietorship may also prepare a cash flow statement in accordance with SAS 22 – *Formats of a Cash Flow Statement for External Financial Reporting*.
- 30.7 A medium-sized or large sole proprietorship may also prepare a statement of changes in equity in accordance with SAS 23 – *Formats of a Statement of Changes in Equity for External Financial Reporting*.
- 30.8 A sole proprietor shall adopt accounting policies by resolutions. The resolutions shall be retained for 10 years after the cessation of the activity. Each resolution shall be marked by a running number in chronological order. Accounting policies already adopted may be changed only by new resolutions.
- 30.9 The books of account and reports shall be accessible at the registered office of the sole proprietor. If the books of account of the sole proprietor are kept by another legal or natural person who has a registered activity in accordance with the classification of economic activities, the books of account may be kept by that person.

C Key Definitions

- 30.10 This Standard uses some terms which need to be explained and defined.
- a) **A sole proprietor** is a natural person who performs a self-employed gainful activity in the market within the framework of an organised enterprise under the Companies Act and whose enterprise meets the criteria for a micro, small, medium or large enterprise, except for a sole proprietor who determines the taxable income by deducting flat-rate expenses.
 - b) **Sole proprietor's equity** is the sole proprietor's own source of financing. It consists of transfers of physical assets, revaluation surplus, fair value reserves and the sole proprietor's revenue or loss. It may also change on a daily basis with each cash inflow from the household and each cash outflow to the household.
 - c) The sole proprietorship assets include **physical assets transferred to the sole proprietorship from the sole proprietor's household**.

D Clarifications

30.11 The economic categories are explained in the SASs of the individual economic categories (Standards I) and the reporting standards (Standards II), unless otherwise defined in this Standard. A sole proprietor does not calculate and present deferred tax assets and deferred tax liabilities.

30.12 A sole proprietor transfers the physical assets from the household to the sole proprietorship assets by the date of notification, but may do so also at a later date. However, fixed assets acquired free of charge from other persons cannot be treated as transfers of physical assets from the sole proprietor's household after the date of notification.

The value of a tangible fixed asset acquired by means of a transfer of physical assets from the household shall be derived from the original deed or valuation report and shall not exceed the fair value of the asset.

The determination of the cost of property, plant and equipment and of the cost of intangible assets acquired by other means is set out in SAS 1 and SAS 2.

30.13 A sole proprietor is free to use cash. It shall disclose the information about flows between its enterprise and its household within the prescribed group of sole proprietor's equity. If there are no appropriate accounting records to post the flows to and from the household, they shall prepare such records themselves.

30.14 Current operating liabilities also include current liabilities to employees (other than the sole proprietor), liabilities to pay an advance income tax arising from the activity based on the tax return, and liabilities for the sole proprietor's social security contributions.

30.15 Difference between revenue and expenses is the sole proprietor's profit or loss and it differs from the profit or loss of companies by the unaccrued labour costs for the sole proprietor.

The sole proprietor does not have an employment relationship and is therefore not subject to collective bargaining agreements defining rights and obligations under the employment relationship. In the books of account under the category of other costs only the sole proprietor's work/job-related costs, defined in the regulations, are recognized as costs of the sole proprietorship.

30.16 For the assets not presented in the sole proprietorship's books of account but used for both, business and private purposes, book-keeping documents shall be prepared to record the expenses (electricity, heating, paint work, etc.) separately for the sole proprietorship and for the household. The internal book-keeping document is a written statement of account about costs related to the use of such an asset, showing how individual types of costs are accounted for and allocated between the sole proprietorship and household.

30.17 If the sole proprietor has not kept other than prescribed books of account and has not recorded items other than invoices and fixed assets at the time of the change from the actual revenue and flat-rate expenses method of taxation to the actual revenue and actual expense method of taxation, they shall prepare an opening balance sheet by taking an inventory of the assets, equity and liabilities and determining their carrying amount, the difference being the sole proprietor's equity, which they may, for the sake of simplicity, record as the sole proprietor's opening balance sheet equity. The carrying amounts shall be determined by the sole proprietor in the same way as if the sole proprietor had kept books of account in accordance with accounting standards during the taxable period on the basis of actual revenue and flat-rate expenses. If liabilities exceed assets, that is, if the sole proprietor has transferred more assets out of the enterprise than they have invested in it or generated from the operation of the enterprise, the difference shall be recorded among cash inflows and cash outflows. If

the sole proprietor has an analytical record of what its opening capital was, what the transfers of real assets, inflows and outflows between the enterprise and the household were, and what its income or loss was, it may recognise and allocate equity in accordance with that record.

E Date of Adoption and Effective Date

30.17 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Sole proprietors shall apply this Standard for periods beginning 1 January 2024.

From the date on which this Standard comes into effect, sole proprietors shall cease to apply SAS 30 – *Accounting Solutions in Sole Proprietorships – Individuals* (2016).

The Appendix on single-entry bookkeeping is an integral part of this Standard.

Single-Entry Bookkeeping

Appendix I

A sole proprietor may keep books of account using the principles of single-entry bookkeeping if the criteria of the Companies Act are met. In doing so, it shall comply with SAS 30, except for the solutions relating to books of account in single-entry bookkeeping.

1 Basic principles of single-entry bookkeeping

1.1 Notwithstanding SAS 4, a sole proprietor may determine the cost of materials via the indirect method using the inventory count.

The cost of materials used is determined by deducting the value of inventories at the end of the accounting period from the value of inventories at the beginning of the accounting period, increased by the value of purchases during the accounting period.

During an accounting period, the sole proprietor shall post the cost of purchased quantities of materials in the appropriate column of revenue and expenses in the books of account. At the end of the accounting period, it shall reconcile the amount presented in the book of revenue and expenses with the change in inventories determined by taking an inventory of the quantities and valuing them at their latest cost.

1.2 Depreciation and amortisation expense may be presented directly in the income statement.

1.3 Profit or loss shall be determined only mathematically, using the prescribed scheme of an income statement.

1.4 The sole proprietor's equity shall be determined only mathematically, as the difference between the balance of inventoried assets and liabilities.

2 Books of accounts and the annual report

2.1 The books of account kept on the basis of single-entry bookkeeping are the book of revenue and expenses, inclusive of or separately kept records of receivables due from customers and liabilities to suppliers, the book of other receivables, the book of other liabilities and the register of property, plant and equipment.

2.2 The book of revenue and expenses shall have columns, at least by type of revenue and expenses, which, together with the other records and the inventory of assets and liabilities, enables the preparation of an income statement. Receivables due from customers and liabilities to suppliers may also be recorded in the same book.

2.3 The books of other receivables and other liabilities shall separately record the individual types of receivables and liabilities which do not result in revenue and expenses. These books need not be kept if the records of receivables and liabilities also provide information on other receivables and liabilities. At the beginning of an accounting period, the opening balances of receivables and liabilities shall be transferred from relevant inventory sheets to the book of other receivables and other liabilities.

- 2.4 The register of property, plant and equipment shall be kept either in the form of a pre-bound book or by computer. Each item of property, plant and equipment shall have its own registration number.
- 2.5 The annual report of a sole proprietor who keeps books of account on the basis of single-entry book-keeping shall comprise a balance sheet and an income statement.

The Appendix on the preparation of financial statements for a sole proprietor whose enterprise complies with the criteria for a micro enterprise is an integral part of this Standard.

Financial Statements of a Sole Proprietor whose Enterprise Complies with the Criteria for a Micro Enterprise

Appendix II

A sole proprietor whose enterprise meets the criteria for a micro-company may also prepare financial statements for external financial reporting in a condensed form, which shall include at least the items as defined in this Appendix. The annual financial report of a sole proprietor whose enterprise meets the criteria for a micro enterprise shall comprise a balance sheet and an income statement.

1.1 The balance sheet for external financial reporting shall contain at least the following items:

Assets

A Long-term assets

- I Intangible assets and long-term deferred costs and accrued revenue
 - 1 Intangible assets
 - 2 Long-term deferred costs and accrued revenue
- II Property, plant and equipment
- III Investment property
- IV Long-term investments
 - 1 Long-term investments, except loans
 - 2 Long-term loans
- V Long-term operating receivables

B Current assets

- I Assets (disposal groups) held for sale
- II Inventories
- III Short-term investments
 - 1 Short-term investments, except loans
 - 2 Short-term loans
- IV Short-term operating receivables
- V Cash

C Deferred costs and accrued revenue

Equity and liabilities

A Sole proprietor's equity

B Provisions and long-term accrued costs and deferred revenue

- 1 Provisions
- 2 Long-term accrued costs and deferred revenue

C Long-term liabilities

- I Long-term financial liabilities
- II Long-term operating liabilities

D Current liabilities

- I Liabilities included in disposal groups
- II Short-term financial liabilities
- III Short-term operating liabilities

E Accrued costs and deferred revenue

If the equity and liabilities, exclusive of the sole proprietor's equity, exceed the value of the sole proprietor's assets, the sole proprietor's capital is negative.

- 1.2 The income statement for external financial reporting shall include at least the following items:
- 1 Net sales
 - 2 Change in value of inventories of products and work in progress
 - 3 Capitalised own products and own services
 - 4 Other operating revenue (including revaluation operating revenue)
 - 5 Costs of goods, materials and services
 - a) Cost of goods and materials sold and costs of materials used
 - b) Costs of services
 - 6 Labour costs
 - a) Payroll costs
 - b) Social security costs (with a separate presentation of pension insurance costs)
 - c) Other labour costs
 - 7 Write-downs in value
 - a) Depreciation and amortisation expense
 - b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
 - c) Revaluation operating expenses associated with current operating assets
 - 8 Other operating expenses
 - 9 Financial revenue from shares
 - 10 Financial revenue from loans
 - 11 Financial revenue from operating receivables
 - 12 Financial expenses due to impairment and write-offs of investments
 - 13 Financial expenses for financial liabilities
 - 14 Financial expenses for operating liabilities
 - 15 Other revenue
 - 16 Other expenses
 - 17 Sole proprietor's profit or loss
($1 \pm 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16$)

Slovenian Accounting Standard 31 (2024)

ACCOUNTING SOLUTIONS FOR COOPERATIVES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards, the Framework of SASs and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Cooperatives apply those standards directly in recognising, derecognising, measuring and valuation of assets and equity and liabilities, measuring and presenting revenue, expenses, profit or loss, cash flows and movement of equity.

In addition to the provisions of those Standards, cooperatives shall also comply with the provisions of this Standard. This Standard specifically addresses non-distributable cooperative property, the determination of a cooperative's profit or loss and the replacement/covering of an unsettled loss from prior years.

For the purposes of this Standard, cooperatives are organisations that are entered as cooperatives, cooperative associations or European cooperatives (SCEs) in the court register.

B The Standard

31.1 The statement of financial position for cooperatives shall be prepared in the form of a balance sheet that is broken down according to the size of the cooperative (small, medium-sized, large) in accordance with SAS 20 – *Formats of a Balance Sheet for External Financial Reporting*, except that, cooperatives present the following items under Item A Equity, I Called-up capital:

A Equity

- I Co-operative's equity
 - 1 Non-distributable capital
 - 2 Shares held by cooperative members
 - a) Mandatory shares of cooperative members
 - b) Voluntary shares of cooperative members

31.2 Items in the balance sheet of a cooperative prepared for external financial reporting shall be disclosed in accordance with SAS 20 – *Formats of a Balance Sheet for External Financial Reporting*.

31.3 In addition to other off-balance-sheet items, a cooperative shall also disclose the guarantees assumed by its members under the rules of the cooperative.

31.4 A cooperative shall prepare an income statement as set out in SAS 21 – *Formats of an Income Statement for External Financial Reporting in SAS 21.6 (format I)*.

31.5 Items in the income statement of a cooperative for external business purposes shall be disclosed in accordance with SAS 21 – *Formats of an Income Statement for External Financial Reporting*.

31.6 In an appendix to the income statement, a cooperative shall present how the net profit for the financial year, together with the undistributed retained earnings, is distributed and how the net loss for the financial year, together with the unsettled retained loss, is covered.

- 31.7 A medium-sized or large cooperative in accordance with the criteria of the Companies Act shall also prepare a cash flow statement in accordance with SAS 22 – *Formats of a Cash Flow Statements for External Financial Reporting* and take into account the breakdown of equity in SAS 31.1.
- 31.8 A medium-sized or large cooperative in accordance the criteria of the Companies Act shall also prepare a statement of changes in equity in accordance with SAS 23 – *Formats of a Statement of Changes in Equity for External Financial Reporting*.

C Key Definitions

- 31.9 This Standard uses some terms which need to be explained and defined.
- a) **Non-distributable cooperative's capital** is the permanent business fund of a cooperative that was formed as indivisible net assets in cooperatives until their organisation was harmonised with the Cooperatives Act (Official Gazette of the SFRY, No. 3/1990) or the Cooperatives Act (Official Gazette of the RS, No. 13/1992), net assets acquired by a cooperative on the basis of the provisions of the Cooperatives Act on the participation of cooperatives in the ownership transformation of certain undertakings (Cooperatives Act, Articles 57 to 64) or on the return of former cooperative property (Cooperatives Act, Articles 65 to 68), and net assets acquired by a cooperative on the basis of the Act on the splitting of the property of former forest managing organisations (Article 83, Point (b)) of the Forests Act. It is the indivisible net assets of the cooperative, to which the rules on property rights apply *mutatis mutandis*. It is intended exclusively to finance the joint operations of the cooperative and its members. The assets of that fund may not be distributed either in the event of the cooperative's liquidation or bankruptcy or in the event of the cooperative's dissolution. This applies also to pure cooperative assets acquired under the provisions on the return of former cooperative assets in the course of the ownership transformation of undertakings.
- b) **The shares of the cooperative members** form part of its capital, the amount of which shall be determined by the members in the cooperative rules in accordance with the Cooperatives Act or Regulation 1435/2003/EC. The subscribed capital of an SCE may not be less than the amount laid down in the rules of the SCE, but shall not be less than EUR 30 000. In a cooperative established under the Cooperatives Act, the cooperative rules permitting the transfer of shares may provide for a minimum amount below which the capital of the cooperative, consisting of the members' shares, may not be reduced for the purpose of making payments to the members or their legal successors. In other cooperatives established under the Cooperatives Act, the capital may change without fixing a minimum amount below which it may not be reduced.
- c) **Voluntary funds** are funds formed by the cooperative by virtue of the cooperative rules (statutory reserves) or by a resolution of the general assembly (other revenue reserves). Such funds are the reserve fund, the education fund, the development fund, the fund for social benefits and similar funds. In the balance sheet, they are shown as part of the revenue reserves.

D Clarifications

- 31.10 For purposes of financial reporting, cooperatives shall be classified as micro, small, medium-sized and large cooperatives using the same criteria and in the same way as companies.

- 31.11 The equity of a cooperative shall consist of the non-distributable cooperative capital, the shares of the cooperative members, legal, statutory and other revenue reserves, retained earnings and retained loss, revaluation surplus, fair value reserves, undistributed net profits or unsettled net loss for the financial year and other funds, if any, established in accordance with the rules of the cooperative.
- 31.12 The cooperative shall form reserves for the distribution of net profit in accordance with the cooperative rules and at least in the amount prescribed by the Cooperative Act or Regulation 1435/2003/EC.
- 31.13 A cooperative may allocate the remaining part of the annual surplus of net profits after the formation of the mandatory reserves to its funds and to the shares of its members in proportion to their business with it. The more detailed criteria for the participation of members in the remaining part of the net profit shall be determined by the cooperative based on cooperative rules.
- 31.14 The cooperative shall settle the loss out of mandatory reserves or out of undistributed retained earnings. If the mandatory reserves and any undistributed retained earnings are insufficient to cover the retained loss, it shall be settled from the cooperative's other voluntary funds. If the loss is still not yet settled, it shall be settled out of the cooperative's non-distributable capital and out of the mandatory and voluntary shares of the cooperative members, in proportion to the size of the cooperative's non-distributable capital and the members' shares.
- 31.15 If, as a result of a write-down or loss, the value of cooperative's shares and funds is reduced by more than half, the general meeting of the cooperative shall decide that the shares have to be paid up to the full written-down value or propose that the bankruptcy proceedings commence for the cooperative.

E Date of Adoption and Effective Date

- 31.16 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Cooperatives whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other cooperatives shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, cooperatives shall cease to apply SAS 31 – *Accounting Solutions in Cooperatives* (2016).

Slovenian Accounting Standard 32 (2024)

ACCOUNTING SOLUTIONS

FOR PUBLIC SERVICE ENTERPRISES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the Framework of SASs and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Public service enterprises apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of those Standards, public service enterprises shall also comply with the provisions of this Standard. The provisions of this Standard are mandatory for all public service enterprises. The provisions shall apply unless otherwise provided by law.

This Standard is based on the regulations governing the field of public service enterprises.

The provisions of this Standard are intended for external financial reporting. The forms of reporting for tax, statistical and regulatory purposes are governed by specific regulations.

In this Standard, public service enterprises are understood to be all legal entities which, in accordance with the regulations, provide public services, irrespective of their organisational form and whether these services constitute the whole or only part of their activity.

An individual public service in this Standard refers to each individual right granted to perform a public service in a specific area. Where municipalities grant a joint concession or provide by ordinance that the performance of a particular public service is to be monitored jointly for those municipalities within a joint public organisation, the provisions of SAS 32 on an individual public service refer to all the rights granted by those municipalities to perform that particular public service as a single right. In such a case, the public service for all users or customers of involved municipalities must be provided on equal terms. This condition is deemed to be met where the services of public service enterprises are charged at a uniform price to the users of those municipalities.

The provisions of this Standard concerning the separate recording of revenue and expenses and the preparation of an income statement for an individual public service also apply *mutatis mutandis* to any other special or exclusive rights granted by a public authority to a public service enterprise.

B The Standard

a) Specific features of allocation of revenue and expenses

32.1 A public service enterprise shall establish for each public service a profit (responsibility) centre for which the revenue and the costs incurred and attributed to it shall be determined.

32.2 The public service enterprise shall determine appropriate cost centres for public services to which the costs are allocated on the basis of calculations.

- 32.3 When allocating indirect costs, the public service enterprise shall apply the criteria based on the activities that give rise to those costs. If it is not possible to identify these activities, the criteria for the allocation of indirect costs based on the proportion of direct costs shall be applied.
- 32.4 Contributions, fees and other public charges are costs of the public service enterprise if the latter is liable for payment of these charges as a party performing the activity. If the users of services performed by a public service enterprise are identified as the ones liable for the payment of these charges and the recipient of the charges is a public body, the public service enterprise shall not present the payment of such charges to the public body under costs and the assets received are not presented under revenue.
- 32.5 If, in the context of the price regulation of the public service, an offset of overcharged revenue of the previous accounting year is made in a lump sum before the end of, or in the first quarter after the end of the accounting period, the amount of the offset made shall be recorded as an adjusting event after the balance sheet date in a form of a reduction in revenue of the previous accounting period. If the offset is made by way of a price adjustment after the end of the accounting period, it shall be recognised in the period when the offset becomes certain and enforceable.

b) Specific features of revenue determination

- 32.6 The operating revenue of a public service enterprise is all amounts from the sale of products or services, regardless of the payer. Contributions, fees and/or other payments collected by the public service enterprise on behalf of the state or the local community on the basis of the law are not the revenue of the public service enterprise.
- 32.7 The public service enterprise shall also include, among the operating revenue, the contributions of individuals, local communities and other persons for the maintenance of facilities and devices and for the provision of public services, unless the contributions are specifically provided for by law or by a local community ordinance to be earmarked. Earmarked contributions are funds which have the nature of a public charge established by law or other regulation and are not payments for products supplied, services rendered or compensation for the use of a public service. Such funds are collected from customers by law or regulation or contributed by the state or a local authority on the same basis. They are characterised by both earmarked collection and earmarked consumption, both of which are determined by law or regulation in advance – before the collection of these funds.

Earmarked contributions which are not included in the price of a product or service are classified as revenue by the public service enterprise when the costs or expenses for which they were collected are incurred.

c) Specific features of revaluation

- 32.8 The public service enterprise shall apply the cost model to measure property, plant and equipment after their recognition.

d) The nature and content of specific schedules and notes to the financial statements

- 32.9 The annual report of the public service enterprise shall contain, in addition to the schedules prescribed by the Companies Act and other regulations or laid down by the SASs, other schedules and notes to the financial statements:
- the income statement of the public service enterprise, divided into income statements for separate public services and for other activities;

- presentation of the criteria according to which revenue and expenses are allocated to separate public services and the other activities;
- the method of allocating revenue and expenses to the various profit (responsibility) centres and cost units;
- the sub-balances of assets and liabilities for separate public services and other activities, if required by regulation or if the public service enterprise considers that these sub-balances are relevant for business decision-making;
- presentation of the criteria according to which assets and liabilities are allocated to individual public services and other activities, if required by regulation or if the public service enterprise considers that these sub-balances are relevant for business decision-making;
- presentation of profit or loss of each public service which the public service enterprise may or will be required to offset in future periods;
- the ownership shares of the state, local authorities and others in the share capital;
- presentation of the amount and share of bank deposits within loan investments;
- investments in and receivables due from the state or local authorities, by type;
- the value of fixed assets of the public infrastructure leased by the public service enterprise (in off-balance-sheet records).

C Date of Adoption and Effective Date

32.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Public service enterprises whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other public service enterprises shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, public service enterprises shall cease to apply *SAS 32 – Accounting Solutions in Public Service Enterprises (2016)*.

Slovenian Accounting Standard 33 (2024)

ACCOUNTING SOLUTIONS FOR SOCIETIES AND DISABILITY ORGANISATIONS

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the Framework of SASs and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Societies apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of these Standards, societies and disabled persons organisations shall also comply with the provisions of this Standard.

For the purposes of this Standard, a society is an organisation established under the Societies Act.

For the purposes of this Standard, a disabled persons organisation is an organisation established under the Societies Act that has a status of a disabled persons organisation under the Disabled Persons Organisations Act.

B The Standard

- 33.1 A society prepares an annual financial report, based on the information recorded in its books of account, combined with an inventory of assets and liabilities at the end of the accounting period, which includes:
- a balance sheet with notes, including a description of how the net surplus of revenue over expenses from previous accounting periods was used;
 - an income statement with notes;
 - an appendix to the income statement with notes showing the extent of the society's for-profit activity during the accounting period.

- 33.2 A balance sheet for external financial reporting shall consist of at least the items specified for small companies in SAS 20 – *Formats of a Balance Sheet for External Financial Reporting*, except that societies present a fund under A – equity and liabilities, which shall be broken down into:

A Fund

- I Society's fund
- II Revaluation surplus
- III Fair value reserve

The society does not account for deferred tax assets and deferred tax liabilities.

- 33.3 The society shall account for assets and liabilities in accordance with SAS 1 to SAS 17. Notwithstanding this, a society which is not subject to audit its financial statements under the Societies Act may value assets and liabilities in accordance with these rules:

The cost of assets acquired free of charge (donated), purchase price or market value of which is unknown, is determined by appraisal, taking into account the cost of identical or comparable assets. Property, plant and equipment and intangible assets manufactured by the society itself shall be valued at costs attributable to their construction or production until available for their intended use.

Investments and receivables shall not be revalued unless impaired or in case of reversal of impairment.

The value of investments and receivables for which it is reasonably expected that will not be settled or will not be settled in full, shall be disclosed by the society in the notes to the financial statements.

Inventories of materials and merchandise shall be valued at purchase prices and inventories of products and work in progress are valued at the costs of manufacturing materials and third-party manufacturing services. The inventories consumed are valued using the chosen method.

The inventories of materials and merchandise may be valued at the end of the accounting period at the latest documented purchase prices, and inventories of products and work in progress may be valued at the latest prices of consumed manufacturing materials and third-party manufacturing services. Identified differences are recorded as adjustments to the costs of materials used or merchandise, materials and services sold.

- 33.4 The society's fund is valued at the difference between the assets plus deferred costs and accrued revenue, and the liabilities plus provisions, accrued costs, deferred revenue, revaluation surplus and fair value reserves.
- 33.5 The society shall prepare the income statement for external financial reporting in accordance with SAS 21 – *Income Statement for External Financial Reporting*, format I, without using number 18 – Deferred taxes. Number 19 Net profit or loss for the accounting period shall be replaced by numbers:
- 19 Net revenue surplus for the accounting period;
 - 20 Net expense surplus for the accounting period;
 - 21 Coverage of expenses of the current accounting period from the net revenue surplus of the previous accounting periods.

The society shall include under item Other operating revenue also the revenue from:

- a) grants from the Foundation for Financing of Disabled Persons and Humanitarian Organisations in the Republic of Slovenia;
- b) grants from budgetary and other public funds;
- c) grants from other foundations, funds and institutions;
- d) donations from other legal and natural persons;
- e) contributions from users of special social programmes;
- f) membership fees and contributions from members.

The society shall disclose items (a) to (f) stated above in the notes to the income statement.

The net revenue surplus for the accounting period is the difference between the (higher) revenue and (lower) expenses for the accounting period, less corporate income tax.

The net expense surplus for the accounting period is the difference between the (higher) expenses and the corporate income tax and the revenue for the accounting period.

The coverage of expenses of the current accounting period from the net revenue surplus of the previous accounting periods shall comprise the amount of the net revenue surplus of previous accounting periods that the society earmarks to cover the expenses of the current accounting period.

The content of items in the income statement that is not specified in this Standard shall be as defined in SAS 1 to SAS 17.

- 33.6 Costs, expenses and revenue shall be accounted for in accordance with SAS 12 to SAS 15. Notwithstanding the above, a society which is not subject to audit of its financial statements under the Societies Act may record the value of during the accounting period purchased materials and merchandise on the accounts of costs of materials consumed and merchandise sold, and at the end of the accounting period reconcile the resulting costs of the materials consumed and merchandise sold with the change in inventories, as determined by taking an inventory count of those materials and merchandise and valuing them at the most recent purchase prices. In this case, the society shall disclose in the notes to the income statement:
- (a) the cost of purchased materials;
 - (b) the increase in inventories of materials;
 - (c) the decrease in inventories of materials.

- 33.7 The society shall keep its books of account in a way that enables the presentation of information necessary for the preparation of its annual balance sheet and income statement. A society which does not show all the information necessary for the preparation of the financial statements (single-entry bookkeeping and simplified presentation) in the books of account shall provide it by means of an annual inventory.

A society which has also carried out a for-profit activity during the accounting period for which it prepares its annual report is required to draw up an appendix to its income statement in the form set out in SAS 33.5, in which it shall indicate the amounts relating to the for-profit activity.

For the purpose of preparing the appendix referred to in the preceding paragraph, the society shall adopt appropriate criteria for the classification of indirect expenses into those relating to a for-profit activity and those relating to a non-profit activity. If it is not possible to determine an appropriate criterion, the criterion shall be the ratio of the revenue generated by a for-profit activity to the revenue generated by a non-profit activity of the society during the accounting period. The society shall disclose the criteria in the appendix.

- 33.8 A society which, in accordance with the act governing the functioning of societies, may keep its books of account on the basis of the single-entry bookkeeping system, shall comply with the provisions of Appendix I to SAS 30 – Single-Entry Bookkeeping.
- 33.9 The society shall also provide, as business documents, time-sequenced statements of changes in balances of its bank accounts.
- 33.10 The society shall provide in its books of account or in separate records the information on the use of earmarked public and other funds received for its functioning, for the implementation of specific social programmes and for investments.
- 33.11 Regardless of the method of keeping the books of account, the society shall take inventory of its assets and liabilities at the end of the accounting period. It shall also take an inventory at the beginning or when it discontinues its activity and when a change of status occurs.
- 33.12 The books of account and reports shall be accessible at the registered office of the society. If its books of account are kept by another legal or natural person who has a registered activity according to the classification of activities, the books of account may be kept by that person.

C Key Definitions

33.13 This Standard uses some terms which need to be explained and defined.

- a) The term **accounting period** means the period for which the society prepares its annual report.
- b) **The society's fund** is the society's own source of funding. It comprises the founding contribution, the net revenue surplus allocated for specific purposes, the undistributed net revenue surplus and the unsettled net expense surplus (a deduction item). The founding contribution of the society shall consist of the funds made available to the society by the founders at the time of its foundation and stated as such in the founding instrument (constitutive act) of the society.
- c) **Legal bases** are regulations, contracts, court decisions and written decisions by creditors or owners to waive rights or ownership of assets.

D Clarifications

33.14 The society may also have reserves and earmarked funds for educational, social and other purposes within the society's fund in accordance with its rules and decisions.

33.15 Changes in investments, operating receivables and financial and operating liabilities based on other legal bases shall also increase financial revenue or expenses.

Reconciliation of the value of investments, operating receivables and financial and operating liabilities shall be made at the date of the legal basis giving rise to the change in value and, in the event of reconciliation on the basis of an agreed revaluation, also at the time of preparation of the annual report.

33.16 The society may settle the net expense surplus from reserves, net revenue surplus from previous accounting periods, or also to the debit of other parts of the society's fund.

E Date of Adoption and Effective Date

32.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance. Societies and disabled persons organisations shall apply this Standard for periods beginning 1 January 2024.

From the date on which this Standard comes into effect, societies and disabled persons organisations shall cease to apply SAS 33 – *Accounting Solutions in Societies and Disabled Persons Organisations* (2016).

Slovenian Accounting Standard 34 (2024)

ACCOUNTING SOLUTIONS IN NON-PROFIT ORGANISATIONS – PRIVATE LAW ENTITIES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the Framework of SASs and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Non-profit organisations – private law entities (hereinafter referred to as non-profit organisations) apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of these Standards, non-profit organisations shall also comply with the provisions of this Standard.

This Standard is based on acts and other regulations governing non-profit activities.

For the purposes of this Standard, non-profit organisations are private law entities that keep books of account in accordance with the Accounting Act.

B The Standard

a) Specific features of the presentation of items in a balance sheet

34.1 A balance sheet of a non-profit organisation shall be broken down according to its size in accordance with SAS 20 – *Formats of a Balance Sheet for External Financial Reporting*, except that, in the case of equity and liabilities, the organisation shall disclose:

A OWN EQUITY

- I Founding contribution
- II Fair value reserves
- III Net profit or loss carried forward
 - 1 Undistributed net revenue surplus
 - 2 Undistributed net expense surplus
- IV Net result or loss for the financial year
 - 1 Net revenue surplus for the financial year
 - 2 Net expense surplus for the financial year

b) Specific features of the presentation of items in an income statement

34.2 Net profit or loss in the income statement of a non-profit organisation is the net revenue surplus or net expense surplus for the accounting period.

c) Specific features of revaluation

- 34.3 A non-profit organisation shall apply the cost model to measure property, plant and equipment after recognition.
- 34.4 A non-profit organisation may measure financial instruments after their recognition at fair value if Level 1 inputs – unadjusted quoted prices in active markets for identical assets – are available for those financial instruments and can be accessed by the non-profit organisation at the measurement date. If such measurement is not possible, the non-profit organisation shall measure financial instruments at cost.

d) The nature and contents of special schedules and notes to the financial statements

- 34.5 A non-profit organisation shall separately disclose in the notes to the financial statements:
- a) the criteria used to allocate assets, liabilities, revenue and expenses to individual non-economic public services and to its own activities;
 - b) receivables due from the founder;
 - c) works of art and other objects of cultural or of historical value in the schedule of balances and movements of property, plant and equipment;
 - d) gain or loss on disposal of the assets mentioned in the previous point;
 - e) revenue and expenses by individual non-economic public services and for its own activities;
 - f) for the performance of non-economic public services revenue received from the state or local community budget and revenue from other sources;
 - g) indirect costs and their allocation to each individual non-economic public service and to its own activities;
 - h) the earmarked funds received and used by purpose and, within these funds, separately the funds received and used from the state or local community budget;
 - i) the shares of each co-founder in the founder's equity;
 - j) the revenue surplus identified and allocated or the expense surplus identified and covered by each of non-economic public services and for its own activities.

C Key Definitions

- 34.6 This Standard uses some terms which need to be explained and defined.
- a) **The founding contribution** is the amount provided by the founder to the non-profit organisation by the constitutive act as a permanent source of funds. As a rule, the founding contribution may be increased or decreased only by decision of the founder or by law. Funds provided by the founder by the constitutive act to cover selected operating costs shall not be considered a founding contribution. The founding contribution is not a liability to the founder, but is earmarked assets. The founding contribution only occurs in the case of institutions (foundations) or other non-profit organisations which have earmarked assets provided for by law.
 - b) **Budget funds / Budget appropriations** are amounts received by a non-profit organisation for the performance of activities from the budget of the state or a local community, irrespective of the purposes for which they are received, other than payments for products or services for which the state or a local community is the purchaser.
 - c) **Donations** are amounts or things received by a non-profit organisation from natural or legal persons without any obligation to repay and do not relate to payments for products or services of which those persons are the purchasers. Donations shall not include budget appropriations.

- d) **The performance of non-economic public services** is the provision of activities defined as such by law or by other regulations adopted by the state or a local community in accordance with the law.
- e) **Own activity** is an activity other than the provision of a non-economic public service.

D Clarifications

- 34.7 The net revenue surplus shall be distributed by a non-profit organisation in accordance with the law, the constitutive act or other instrument or a decision of the competent body.
- 34.8 Where a non-profit organisation establishes an organisation to perform an activity and consolidated financial statements are prepared, the provisions on consolidation contained in the Slovenian Accounting Standards and the Recommended Accounting Rules shall apply *mutatis mutandis*.

E Date of Adoption and Effective Date

- 34.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance. Non-profit organisations shall apply this Standard for periods beginning 1 January 2024.

From the date on which this Standard comes into effect, non-profit organisations shall cease to apply *SAS 34 – Accounting Solutions in Non-Profit Organisations – Private Law Entities (2016)*.

Slovenian Accounting Standard 35 (2024)

ACCOUNTING SOLUTIONS IN SOCIAL ENTERPRISES

A Introduction

This Standard addresses specific features of accounting in organisations that have obtained a social enterprise status under the Social Entrepreneurship Act (hereinafter referred to as social enterprise).

This Standard relates to the Introduction to the Slovenian Accounting Standards and the Framework of SASs (2024) and to the Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23.

This Standard deals with the accounting specificities of social enterprises, regardless of their legal form of organisation, namely:

- a) the specific types of assets and the methods of their presentation;
- b) the specific types of liabilities and the methods of their presentation;
- c) the specific features of accounting for amortisation and depreciation;
- d) the specific features of the breakdown and measurement of revenue;
- e) the specific types of costs and expenses and the methods of their presentation;
- f) the specific features of determination and treatment of various types of profit or loss;
- g) the specific features of revaluation;
- h) the format of a balance sheet;
- i) the format of an income statement and a cash flow statement;
- j) the annual report and the nature and content of special disclosures and notes to the financial statements.

A social enterprise shall use those Slovenian Accounting Standards for the determination and presentation of assets and liabilities, the measurement of revenue and expenses and the determination of profit or loss, that are applicable to the legal form of organisations to which it belongs, and the specific features set out in this Standard.

The amendments to the accounting solutions for social enterprises in this Standard are intended to address the specific features of external financial reporting by social enterprises. This Standard does not address forms of reporting by social enterprises for tax or statistical purposes.

B The Standard

a) Specific types of assets and the methods of their presentation

35.1 A social enterprise shall present separately assets used for the performance of social entrepreneurship activities and separately assets used for the performance of other activities.

35.2 The costs and expenses related to social enterprise's assets shall be allocated based on the type of activities for which individual assets are used (social entrepreneurship activities vs. other activities).

35.3 Where a social enterprise uses the same intangible assets and property, plant and equipment to perform the social entrepreneurship activities and other activities, it shall identify the criteria in the internal rules and disclose them in the notes to the financial statements by which it allocates those assets

to each type of activity. It shall also apply those criteria in allocating amortisation and depreciation, revaluation effects and other effects related to intangible assets and property, plant and equipment used to perform social entrepreneurship activities and other activities.

- 35.4 If a social enterprise performs activities that result in the presentation of inventories, it shall separately present the inventories related to the social entrepreneurship activity.
- 35.5 A social enterprise shall separately present intangible assets and property, plant and equipment acquired free of charge for the purpose of carrying out social entrepreneurship activities, as well as the cash used to acquire them. It presents deferred revenue for the value of these assets. It shall reduce the deferred revenue presented and recognise revenue in the period in which amortisation and depreciation expense or other expenses arising from the co-financed part of cost of these assets are incurred.

b) Specific types of liabilities and the methods of their presentation

- 35.6 A social enterprise shall present separately equity and liabilities used for the performance of social entrepreneurship activities and separately equity and liabilities used for the performance of other activities.
- 35.7 A social enterprise shall initially recognise the allowances and/or incentives from public funds under the Social Entrepreneurship Act and/or other forms of government grants received for the performance of social entrepreneurship activities. It shall present them separately under deferred revenue which are transferred to revenue in the period in which the costs or expenses are incurred for which the allowances and/or incentives from public funds and/or other government grants have been received. Allowances and/or incentives from public funds and/or other forms of government grants received by a social enterprise that are not intended for the performance of social entrepreneurship activities and their use shall be presented separately.
- 35.8 A social enterprise shall recognise allowances and/or incentives from public funds and/or other forms of government grants for investment in intangible assets or property, plant and equipment for the performance of social entrepreneurship activities under deferred revenue. It shall transfer them to revenue in proportion to the amortisation and depreciation charged on the co-financed part of the cost of such assets.

c) Specific features of accounting for amortisation and depreciation

- 35.9 A social enterprise shall present separately the amortisation and depreciation accounted for assets used for the performance of social entrepreneurship activities and the amortisation and depreciation accounted for assets used for the performance of other activities. Amortisation and depreciation accounted for assets used for the performance of social entrepreneurship activities and for the performance of other activities shall be allocated to the individual activities on the basis of criteria determined in accordance with SAS 35.2 and SAS 35.3.
- 35.10 Amortisation and depreciation of all assets shall be accounted for by a social enterprise, for which amortisation and depreciation are to be accounted for either under SAS 1 or SAS 2, notwithstanding that some of them have been financed in whole or in part by allowances and/or incentives from public funds and/or other forms of government grants.
- 35.11 A social enterprise shall separately present the amortisation and depreciation accounted for and its use for:

- intangible assets and property, plant and equipment used for the performance of social entrepreneurship activities;
- intangible assets and property, plant and equipment for the performance for other activities.

d) Specific features of the break-down and measurement of revenue

35.12 Operating revenue of a social enterprise is the revenue from the sale of products, merchandise, and services, irrespective of who the payer is. The operating revenue shall also include all revenue from allowances, incentives and other forms of grants.

35.13 A social enterprise shall separately account for and present revenue from:

- the performance of social entrepreneurship activities,
- the performance of other activities.

35.14 Where a social enterprise generates revenue from the performance of social entrepreneurship activities and other activities at the same time and it cannot be directly attributed to an individual activity, it shall allocate that revenue on the basis of the criteria for its allocation to social entrepreneurship activities and other activities laid down in the internal act of the social enterprise.

35.15 Allowances and/or incentives from public funds and/or other government grants shall be recognised as revenue of the social enterprise in the period in which the costs and expenses are incurred to cover those for which they are received.

Notwithstanding the preceding paragraph, a social enterprise shall recognise allowances and/or incentives from public funds and/or other government grants for the social entrepreneurship activities, which are part of the prices for products sold or services rendered, as revenue for the reporting period under the conditions set out in SAS 15.10 and 15.11.

35.16 A social enterprise shall separate operating, financial and other revenue, that can not be separated directly, to that deriving from the performance of social entrepreneurship activities and that deriving from the performance of other activities, on the basis of criteria defined in an internal act.

e) Specific types of costs and expenses and the methods of their presentation

35.17 A social enterprise shall separately account for and present:

- costs and expenses arising from social entrepreneurship activities;
- costs and expenses arising from other activities.

35.18 A social enterprise shall establish a profit (responsibility) centre for each of the activities referred to in the preceding paragraph. For each profit (responsibility) centre, it shall identify the revenue, the costs incurred and attributed to it and the profit or loss.

35.19 A social enterprise shall allocate indirect costs and expenses to the appropriate profit (responsibility) centres in accordance with the criteria defined in the internal act.

35.20 Where a social enterprise presents operating, financial or other costs or expenses arising from the performance of social entrepreneurship activities and other activities, it shall allocate them to profit (responsibility) centres on the basis of criteria defined in an internal act.

f) Specific features of determination and treatment of various types of profit or loss

35.21 A social enterprise shall determine profit or loss separately for:

- social entrepreneurship activities;
- other activities.

35.22 A social enterprise shall allocate and use profit or loss for the period in accordance with the law governing social entrepreneurship.

35.23 A social enterprise shall present the allocation and use of profit or loss from social entrepreneurship activities in separate accounts within its own sources of assets.

35.24 A social enterprise shall present separately that part of the profit or loss from social entrepreneurship activities which is allocated to cover certain costs or expenses in the following accounting periods, under the item Profit or Loss Carried Forward, Revenue Surplus or Society's Fund.

35.25 Whenever a social enterprise separately presents net profit or loss carried forward, revenue surplus or society's fund to cover the costs and expenses arising from social entrepreneurship activities, it shall not use it directly to cover costs, expenses or expenditure arising from these items, but shall use it to cover loss arising from those activities in the year in which that loss occurs.

g) Specific features of revaluation

35.26 A social enterprise shall separately present the effects of revaluation for the performance of social entrepreneurship activities and other activities.

h) Format of a balance sheet

35.27 A social enterprise shall not use a specific format of a balance sheet, but shall use the format of a balance sheet prescribed by the Slovenian Accounting Standards applicable to the legal form of organisations to which the social enterprise belongs.

A social enterprise shall present, in a separate schedule, that has the format of a balance sheet and forms an integral part of the annual report, the following information for

- the social entrepreneurship activity; and
- other activities.

i) Formats of an income statement and a cash flow statement

35.28 A social enterprise shall not use a specific format of an income statement, but shall use the format of an income statement prescribed by the Slovenian Accounting Standard applicable to the legal form of organisations to which the social enterprise belongs.

35.29 A social enterprise shall present, in a separate schedule, that has the format of an income statement and forms an integral part of the annual report, separately the information for

- the social entrepreneurship activity;
- other activities.

- 35.30 If, by virtue of its legal form of organisation, a social enterprise is required to prepare a cash flow statement, it shall, in a separate schedule, that has the format of a cash flow statement and forms an integral part of the annual report, present separately the information for
- the social entrepreneurship activity;
 - other activities.

j) Annual report, types and content of special disclosures and notes to the financial statements

- 35.31 The annual report of a social enterprise shall contain, in addition to the content and disclosures prescribed by the law governing the legal organisation of an individual legal form of the social enterprise:
- a) a schedule showing the movements and balances of the allowances and/or incentives received from public funds under the law regulating social entrepreneurship and/or other government grants for social entrepreneurship activities, by type, as follows:
 - the initial balance or unused part from previous years,
 - increases during the accounting period,
 - consumption during the accounting period by purpose,
 - the closing balance for the accounting period;
 - b) the substantively and professionally justified criteria according to which the assets and liabilities are allocated to the various activities;
 - c) the substantively and professionally justified criteria that it uses to allocate indirect costs and expenses to individual activities or profit (responsibility) centres;
 - d) the substantively and professionally justified criteria to allocate revenue to that from social entrepreneurship activities and that from other activities;
 - e) presentation of allocation of the positive (net) profit or loss by different purposes as defined by the law governing social entrepreneurship;
 - f) presentation of covering the (net) loss;
 - g) the average number of employees who have been in the social enterprise for at least nine months of the year and the average number of volunteers in the social enterprise during the comparable accounting period;
 - h) the average number of employees who have been in the social enterprise for at least nine months of the year and the average number of volunteers during the accounting period, and the decrease or increase in the number of employees and the number of volunteers in the current year in the social entrepreneurship activity;
 - i) the average number of employees who have been in the social enterprise for at least nine months of the year and the number of volunteers during the accounting period, and the decrease or increase in the number of employees during the current year in activities with special employment conditions;
 - j) a statement that the social enterprise has laid down in its instrument of constitution or internal act more detailed rules on keeping the books of accounts and the substantively and professionally justified criteria referred to in points (b), (c) and (d) of this item, indicating the date of adoption of those criteria.

C Key Definitions

- 35.32 This Standard uses some terms which need to be explained and defined.
- a) **A social enterprise** is an organisation that has acquired that status by law.
 - b) **Allowances and/or incentives from public funds** are grants of all forms that a social enterprise receives under the Social Entrepreneurship Act or other regulations to perform social entrepreneurship activities or other activities.

D Clarifications

35.33 The own sources of funds are:

- equity or founding contribution and
- net profit or loss.

35.34 The designation of the profit or loss of a social enterprise depends on its organisational form and is the difference between the total revenue and the total expenses of the social enterprise. Profit or loss can be positive or negative.

35.35 The designation of the net profit or loss of a social enterprise depends on its organisational form. It is determined by reducing the profit or loss referred to in SAS 35.34 by any taxes charged against that profit or loss.

35.36 A social enterprise shall determine the rules for keeping the books of account and preparing financial statements of a social enterprise; the rules for the preparation of its financial statements, and the substantively and professionally justified criteria for allocating assets and liabilities, revenue, expenses, costs and expenses to social entrepreneurship activities and other activities in its act.

E Date of Adoption and Effective Date

35.37 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Social enterprises whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2024, while other social enterprises shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, social enterprises shall cease to apply SAS 35 – *Accounting Solutions in Social Enterprises* (2016).

Slovenian Accounting Standard 39 (2024)

ACCOUNTING SOLUTIONS IN ORGANISATIONS IN BANKRUPTCY OR COMPULSORY WINDING-UP

A Introduction

This Standard addresses specific features of accounting solutions in organisations in bankruptcy or compulsory winding-up and the preparation of financial statements for them.

This Standard governs the rules for the preparation of an opening balance sheet of an organisation in bankruptcy or compulsory winding-up (hereinafter referred to as opening balance sheet), the valuation and measurement of accounting items during bankruptcy or compulsory winding-up (hereinafter referred to as the proceedings), keeping of the books of account during the proceedings, the preparation of a closing balance sheet of an organisation in bankruptcy or compulsory winding-up (hereinafter referred to as closing balance sheet), and the retention of documents after the proceedings are closed.

Under this Standard, organisations in bankruptcy or compulsory winding-up are those organisations for which the bankruptcy or compulsory winding-up have been formally initiated by law. This Standard does not apply to organisations wound-up under the voluntary summary winding-up rules or regular liquidation procedure.

Whenever this Standard does not provide specific accounting solutions for organisations in bankruptcy or compulsory winding-up, the Introduction to the Accounting Standards and the Framework of SASs (2024) and Accounting Standards (SASs) 1-17 and 20-23 apply *mutatis mutandis*.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2024).

B The Standard

a) Special features of valuation and measurement of accounting items in an opening balance sheet

39.1 At the date before the commencement of the proceedings, an organisation shall prepare financial statements in accordance with the Introduction to the Slovenian Accounting Standards, the Framework of SASs and the Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23.

39.2 At the date of commencement, the organisation shall take inventory of all assets and liabilities and prepare an opening balance sheet, taking into account the valuation and measurement rules for accounting items in accordance with this Standard.

The organisation shall prepare an opening balance sheet no later than 4 months after the commencement of the proceedings.

39.3 The organisation shall explain significant differences between the balance sheet prepared at the date before commencement of the proceedings and the opening balance sheet in an appendix to the opening balance sheet.

b) Valuation, measurement and presentation of assets and liabilities in an opening balance sheet

39.4 Intangible assets shall be valued in the opening balance sheet at their estimated market value, under the assumption of forced sale.

Investments in concessions, patents, licences, trademarks and similar rights shall be presented only if they can be sold.

The opening balance sheet shall not present intangible assets comprising:

- long-term deferred development costs;
- investments in goodwill;
- other non-realizable long-term deferred items.

39.5 Tangible fixed assets (land, buildings, equipment, rearing herd and vineyards, orchards and other plantations) and investment property are valued at estimated market value in the opening balance sheet, under the assumption of forced sale.

Property, plant and equipment acquired through leases shall be presented separately.

39.6 Long-term investments shall be recorded as short-term investments.

39.7 Investments in the capital of other organisations shall be valued at market value or net realizable value.

Loans granted, deposits and collaterals shall be valued at contractual or net realizable value. Outstanding non-interest-bearing investments are valued at their discounted value at the date of the commencement of the proceedings.

Purchased own shares or interests shall not be presented. Receivables for unpaid subscribed capital are recorded at contractual value.

39.8 Investments denominated in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of the commencement of the proceedings.

39.9 Inventories of raw materials and materials, low-value assets and packaging, work in progress, finished goods and merchandise shall be valued at net realizable value in the opening balance sheet, except for those inventories that the organisation will use if the continuation of its production is possible. The latter are valued in accordance with SAS 4 Inventories.

39.10 Long-term operating and financial receivables shall be transferred to current operating and financial receivables accounts.

39.11 Receivables shall be valued at contractual or net realizable value.

Outstanding non-interest bearing receivables shall be valued at their discounted value at the date of commencement of the proceedings.

39.12 Receivables denominated in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of the commencement of proceedings.

39.13 Cash in hand and credit balances with banks and other financial institutions shall be shown as cash in the opening balance sheet.

Cash in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of commencement of the proceedings.

39.14 Unrealisable short-term deferred costs or deferred expenses shall not be presented in the opening balance sheet. Monetary values and other realisable short-term deferred cost or deferred expenses shall be valued at net realisable value at the date of commencement of the proceedings.

39.15 An organisation shall disclose separately any assets that are encumbered by third party ancillary rights.

Receivables and liabilities that are deemed to be set off at the date of commencement of the proceedings under the law governing insolvency proceedings shall not be disclosed in the opening balance sheet.

39.16 Long-term accrued costs and deferred revenue shall not be presented in the opening balance sheet. Only liabilities, if any, that have already been incurred by the time the proceedings are initiated or that are certain to be incurred during the proceedings shall be presented. Such liabilities shall be shown as current.

39.17 Long-term financial and operating liabilities shall be transferred to the current financial and operating liabilities accounts.

39.18 Liabilities to creditors of preferential, subordinated and ordinary receivables, separation creditors and creditors entitled to separate satisfaction, and liabilities to creditors set off in the course of the proceedings shall be presented separately.

The filed receivables of creditors which are disputed and liabilities already incurred in respect of costs of the proceedings shall be shown separately.

Liabilities to creditors for receivables related to a resolutive condition shall be shown separately.

39.19 Liabilities shall be stated at amounts that are reconciled with the amounts of creditors' liabilities filed. Liabilities that have not yet been reconciled with the filled receivables of creditors by the time the opening balance sheet is prepared, and liabilities that are not required to be reported under the law governing insolvency proceedings, shall be presented at the amounts determined by the receiver in bankruptcy.

Liabilities to creditors who fail to file their receivables in time shall not be presented.

39.20 Liabilities in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of commencement of the proceedings.

39.21 Outstanding non-interest-bearing financial and operating liabilities shall be valued at their discounted value.

c) Liabilities to owners

39.22 A positive difference between assets and liabilities shall be shown as a liability to owners in the opening balance sheet and a negative difference as a surplus of liabilities over assets under assets of the opening balance sheet.

d) Specific features of valuation and measurement of accounting items during the proceedings

39.23 During the proceedings, the organization shall keep the books of account and prepare financial statements in accordance with this Standard and take into account individual SASs that govern the economic categories (Standards I).

39.24 Inventories used to complete the production or production during the proceedings are valued in accordance with SAS 4 Inventories.

39.25 Receivables incurred during the proceedings shall be presented separately and valued in accordance with SAS 5 *Receivables*.

39.26 Investments incurred during the proceedings shall be presented separately and valued in accordance with SAS 3 *Investments*.

39.27 Liabilities incurred during the proceedings shall be presented separately and valued in accordance with SAS 9 *Liabilities*.

Outstanding non-interest-bearing financial liabilities that were valued at discounted value in the opening balance sheet shall be valued in accordance with the act governing insolvency proceedings.

39.28 Liabilities for interest arising from financial and operating liabilities presented in the opening balance sheet shall be shown in accordance with the act governing insolvency proceedings.

e) Specific features of amortisation or depreciation and revaluation

39.29 As a general rule, depreciation of property, plant and equipment assets, investment property assets and amortisation of intangible assets shall not be accounted for during the proceedings.

Whenever the production continues during the proceedings, the competent court may, on the suggestion of the receiver in bankruptcy, determine that the property, plant and equipment and intangible assets involved in the production process be amortised / depreciated and revalued due to impairment in accordance with SAS 1 *Property, Plant and Equipment* and SAS 2 *Intangible Assets*.

39.30 During the proceedings, assets are not generally revalued, except for the exceptions in SAS 39.29.

f) Application of the chart of accounts

39.31 The organization shall keep its books of account in accordance with the prescribed Uniform Chart of Accounts for companies, sole proprietors - individuals, cooperatives, non-profit organizations - private law entities, and societies and disabled persons organizations, but shall not use the account groups and classes prescribed therein:

06 – Long-term investments other than loans;

07 – Long-term loans and receivables for unpaid called-up capital;
08 – Long-term operating receivables;
29 – Short-term accrued costs and deferred revenue;
75 – Other financial expenses and other expenses;
78 – Other financial revenue and other revenue;
CLASS 9 - Capital, long-term liabilities and provisions.

In addition, the organisation uses the following groups of accounts:

09 – Surplus of liabilities over assets ;
75 – Net expenses for the collection (cashing) of assets and other expenses;
78 – Net proceeds from the collection (cashing) of assets and other revenue;
80 – Profit or loss determined during the proceedings;
81 – Carry forward of gain or loss determined during the proceedings;
90 – Liabilities to owners;
91 – Liabilities to creditors entitled to separate satisfaction;
92 – Liabilities to creditors with a right of separation;
93 – Liabilities to employees to be settled as costs of the proceedings;
94 – Liabilities for disputed receivables;
95 – Liabilities to creditors of ordinary receivables;
96 – Liabilities to creditors of preferential receivables;
97 – Liabilities to creditors of subordinated receivables;
98 – Liabilities to contingent receivables;
99 – Liabilities for costs of the proceedings.

39.32 An organisation may design its own chart of accounts to meet its needs and extend the prescribed groups of accounts to breakdown (analytical) three-digit and multi-digit accounts.

39.33 Costs, expenses and expenditure incurred during the proceedings shall be presented in accordance with SAS 12 *Costs of Materials and Services*, SAS 13 *Labour Costs and Employee Benefit Costs*, SAS 14 *Expenses*, and SAS 15 *Revenue*. Two specific features should be taken into account:

- The positive difference between the value of the collected (cashed) assets and their value shown in the opening balance sheet shall be presented as net revenue from the collection of these assets and the negative difference between them as net expense for the collection of these assets.
- The operating result during the proceedings shall be gain or loss incurred in the course of the proceedings; this result shall directly increase or decrease the loss or the recorded liability to owners or surplus of liabilities over assets shown in the opening balance sheet.

g) Preparation of financial statements during and after the proceedings

39.34 An organisation shall prepare a balance sheet and an income statement and collection (cashing) of assets statement at least every 3 months or more frequently if required by a competent court or other body authorised by the act governing insolvency proceedings. An organisation that is allowed by court to continue the production and to perform other current operations shall prepare a monthly balance sheet, a monthly income statement and collection of assets, a monthly statement of cash flows by the 10th of the current month in accordance with the balance as at the last day of the preceding month. An organisation shall prepare a closing balance sheet, an income statement and collection (cashing) of assets statement, and a statement of cash flows at the date on which all the actions of the proceedings have been completed.

h) Format of a balance sheet

39.35 An organisation shall prepare a balance sheet that contains, at a minimum, the following items:

Assets

I Intangible assets

- 1 Concessions, patents, licences, trademarks and similar rights
- 2 Advances for intangible assets

II Property, plant and equipment and investment property

- 1 Land
- 2 Buildings
- 3 Equipment
- 4 Other equipment
- 5 Rearing herd
- 6 Vineyards, orchards, and other plantations
- 7 Property, plant and equipment in the course of construction
- 8 Advances for property, plant and equipment
- 9 Right-of-use assets

III Inventories

- 1 Material
- 2 Work in progress
- 3 Products and merchandise
- 4 Advances for inventories

IV Receivables incurred until the commencement of the proceedings

- 1 Operating receivables
- 2 Receivables for unpaid subscribed capital
- 3 Other receivables
- 4 Collaterals
- 5 Receivables set off during the proceedings

V Receivables incurred in the course of proceedings

- 1 Receivables due from customers / Trade receivables
- 2 Other receivables
- 3 Collaterals

VI Investments

- 1 Interests and shares purchased for sale
- 2 Loans granted
- 3 Other financial instruments

VII Investments made in the course of the proceedings

- 1 Interests and shares purchased for sale
- 2 Loans granted
- 3 Other financial instruments

VIII Cash

- 1 Cash in hand and cheques received
- 2 Cash at bank

IX Surplus of liabilities over assets

X Off-balance sheet assets

Equity and Liabilities

- A Liabilities to owners
- B Liabilities to creditors entitled to separate satisfaction
- C Liabilities to creditors with a right of separation
- D Liabilities to employees to be settled as costs of the proceedings
- E Liabilities for disputed receivables
- F Liabilities to creditors of ordinary receivables
- G Liabilities to creditors of preferential receivables
- H Liabilities to creditors of subordinated receivables
- I Liabilities to contingent receivables
- J Liabilities set-off in the course of the proceedings
- K Financial liabilities incurred in the course of the proceedings
 - 1 Loans obtained
 - 2 Securities issued
 - 3 Other financial liabilities
- L Operating liabilities incurred in the course of the proceedings
 - 1 Liabilities to suppliers
 - 2 Liabilities to employees
 - 3 Liabilities to the state
 - 4 Liabilities for advances
 - 5 Other payables
- M Liabilities for the conduct of the proceedings
 - 1 Liabilities for the costs of remuneration to the proceedings administrator
 - 2 Liabilities for other costs of the proceedings
- N Off-balance sheet liabilities

The organisation shall disclose separately any assets that are encumbered by third party ancillary rights.

i) Format of an income statement and collection of assets in the course of the proceedings

39.36 An organisation shall prepare an income statement and collection of assets in the course of the proceedings. It shall contain at least the following items:

- A Net revenue from the sales during the proceedings
- ± B Change in inventories of products and work in progress
- + C Value of capitalised own products and/or services
- + D Other operating revenue
- = E **Gross operating profit of the organisation**
- F Costs of goods, materials and services
 - 1 Cost of goods sold
 - 2 Costs of materials
 - 3 Costs of services
- G Labour costs during the proceedings
 - 1 Payroll costs
 - 2 Social security costs and pension insurance costs
 - 3 Other labour costs
- H Amortisation
- I Write-offs and impairment of assets
- = J **Operating profit or loss of the organisation**

+ K	Revenue from profit-sharing
+ L	Revenue from interest and other financial revenue
- M	Interest expenses and other financing expenses
= N	Profit or loss from ordinary activities
+ O	Net revenue from /expenses for collection of receivables from the opening balance sheet
+ P	Net revenue from /expenses for collection of investments from the opening balance sheet
+ R	Net revenue from /expenses for collection of inventories from the opening balance sheet
+ S	Net revenue from /expenses for collection of intangible assets and property, plant and equipment from the opening balance sheet
+ T	Other net revenue from /expenses for collection of assets from the opening balance sheet
- U	Costs of proceedings
	1 Costs of remuneration to the proceedings administrator
	2 Other costs of the proceedings
= V	Profit or loss in the course of the proceedings
- W	Income tax
= X	Net profit or loss in the course of the proceedings

j) Format of a statement of cash flows

39.37 An organisation shall prepare a statement of cash flows that includes at least the following items:

Opening balance of cash flows

A Cash receipts from the collection of assets

- Cash receipts from the collection of receivables from the opening balance sheet
- Cash receipts from the collection of investments from the opening balance sheet
- Cash receipts from the collection of inventories from the opening balance sheet
- Cash receipts from the collection of intangible assets and property, plant and equipment as well as investment property from the opening balance sheet
- Other receipts from the collection of assets from the opening balance sheet

B Cash receipts from operations during the proceedings

- Cash receipts from the sale of products made and services rendered during the proceedings
- Interest revenue and other revenue from investing activities
- Other revenue from operations during the proceedings

C Cash available (A + B)

D Cash payments from operations during the proceedings

- Cash payments for purchases of materials and services during the proceedings
- Cash payments for wages / salaries and other labour costs
- Cash payments for charges
- Cash payments for interest and other financial expenses

E Cash payments relating to the proceedings

- Cash payments for remuneration to the proceedings administrator
- Other cash payments relating to the proceedings

F Cash available for the repayment of creditors (C - D - E)

- Cash payments for liabilities from the opening balance to be settled as costs of the proceedings

- Cash payments to creditors with a right of separation
- Cash payments to creditors of preferential receivables
- Cash payments to creditors of ordinary receivables
- Cash payments to creditors of subordinated receivables

G Closing balance of cash

k) Retention of financial statements, bookkeeping documents and other documentation

39.38 The organization shall retain financial statements, bookkeeping records and other documentation from the period before the commencement of the proceedings in the manner and within the time limits prescribed by the regulations.

39.39 After the completion of the proceedings, the financial statements, bookkeeping documents and other documentation shall be retained by an organisation authorised by law or registered to perform archiving services for the following periods:

- the annual reports before the commencement of the proceedings, the opening balance sheet and the closing balance sheet - permanently;
- the general ledger, the subsidiary books of accounts and the journal - 5 years after the completion of the proceedings;
- final payroll statements and pay slips for periods for which there are no final salary statements - 5 years after the completion of the proceedings;
- interim financial statements one year after the completion of the proceedings;
- the bookkeeping documents on the basis of which the posting is carried out and the documents prescribed by law, one year after the completion of the proceedings;
- bookkeeping documents of payment transactions in authorised financial institutions - 6 months after the completion of the proceedings;
- sales control books, subsidiary statements of account and similar bookkeeping documents - 6 months after the completion of the proceedings.

After the expiry of the retention period, the financial statements, bookkeeping documents and other documentation shall be destroyed.

The costs of retention shall be charged against the bankruptcy estate or assets of the organisations under compulsory winding-up.

39.40 An organisation authorised by law or registered to perform archiving services shall make the data that it retains available to anyone who demonstrates a legitimate interest (the Financial Administration of the Republic of Slovenia, the Pension and Disability Insurance Institute of Slovenia, former employees, creditors and others) and shall also issue a copy of the requested data in return for the compensation of the actual costs.

C Key Definitions

39.41 This Standard uses some terms which need to be explained and defined.

- a) **The estimated market value under the assumption of forced sale** of assets, is the estimated value of the assets as determined by the receiver in bankruptcy. The receiver in bankruptcy may authorise a certified asset valuer to estimate the market value of assets under the assumption of a forced sale.

- b) **Forced sales** are often conducted in circumstances where the seller is forced to sell and therefore an adequate marketing period is not possible. The price that could be achieved in such circumstances will depend on the nature of the pressure on the seller and the reasons why an appropriate marketing period is not possible.
- c) **The market value** of an investment is the value at which the investment can be sold at the date when the proceedings are initiated.
- d) **The net realisable value** of investments, inventories and receivables is the estimated selling price at which investments, inventories and receivables can be sold or collected, less the selling costs or costs of collection.
- e) **Liabilities to owners** are liabilities that are settled out of the assets remaining after creditors have been repaid in full and legal costs paid.
- e) Separation **creditors** are creditors who have a right to specific repayment out of the assets of the bankruptcy debtor (lien, right of repayment, retention right, and other rights to separate satisfaction), as defined in the act governing insolvency proceedings.
- f) **Creditors** entitled to separate satisfaction are creditors who have the right, by virtue of the right of separation, to exclude from the assets things which do not belong to the receiver in bankruptcy, as defined in the act governing insolvency proceedings.

D Clarifications

39.42 An organisation shall prepare the financial statements required by this Standard. However, a competent court may determine that an organisation also prepares budget financial statements that are broken down in the same way as account financial statements.

39.43 The estimated net market value of the organisation's assets under the assumption of forced sale may also be understood as the estimated value of net cash receipts obtained on the proceedings of the organisation by the collection (cashing) of its assets. It depends on the market value of the assets, the rate at which that value is realised, the direct and indirect costs of the proceedings, the timing of the collection (cashing) and the discount rate due to the deferral of the collection (cashing) of the assets, all taking into account the assumption of forced sale.

E Date of Adoption and Effective Date

39.44 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 15 November 2023. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. This standard shall apply organisations in bankruptcy or compulsory winding-up whose proceedings begin after 1 January 2024.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 39 – *Accounting Solutions in Organisations in Bankruptcy or Liquidation* (2016).



ESG
2024