Republic of Moldova

THE PARLIAMENT

LAW No. 287 of December 15, 2017

on Accounting and Financial Reporting

Published: January 5, 2018 in the Official Gazette No. 1-6, Art. 22
Date of entry into force: January 1, 2019

The Parliament adopts this organic law.

This law transposes in part the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, published in the Official Journal of the European Union L 182/19 of 29 June 2013, as last amended by Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches, published in the Official Journal of the European Union L 429/1 of 11 December 2021.

Chapter I
GENERAL PROVISIONS

Article 1. Object of regulation
This law sets out the basic normative framework, general principles, requirements, and the regulatory mechanism in the area of accounting and financial reporting in the Republic of Moldova.

Article 2. Scope of application
This law applies to the following categories of persons (hereinafter called *entities*) registered in the Republic of Moldova:
a) legal persons that conduct entrepreneurial activity, regardless of the property type and the legal organization form;
b) authorities/institutions, except budgetary authorities/institutions;
c) permanent representations and branches of non-resident entities;
d) non-commercial organizations and representations on non-resident entities;
e) natural persons that conduct entrepreneurial activity, except entrepreneur patent holders;
f) natural persons that conduct professional activity in the justice sector (notaries, lawyers, bailiffs, mediators, authorized administrators) and the offices founded by them, as well as individual offices of family doctors.

Article 3. Basic notions
(1) Under this law, the following basic notions signify:
Accounting – complex system for collection, identification, grouping, processing, registration, generalization and presentation of information on accounting items;
Accounting items – assets, equity, liabilities, revenues, costs, expenses and economic facts of the entity;
Accounting registers – registers intended for grouping, systematization, registration and generalization of information concerning the existence and movement of accounting items registered in primary documents;

Accounting standards – International Financial Reporting Standards and National Accounting Standards;

Affiliated entities – entities within one group;

Associated entity – an entity where another entity holds a participating interest and has a significant influence over financial and operational policies, but is neither a subsidiary, nor a participant in a joint engagement;

Cash accounting – accounting method where the accounting items are being recognized as the cash is collected/paid or a compensation is made in another form;

Double entry – means of registration of an economic fact at least in the debit of one account and in the credit of another account with the same amount;

Double-entry accounting – recording of economic facts through double registration, by applying accounts and drawing up financial statements;

Economic fact – transaction, operation, event that modified or may modify the assets, equity, liabilities, revenues, costs and/or expenses of the entity;

Entity in the area of forestry – entity that conducts forestry activities;

Entity in the extractive industry – entity that conducts exploration, prospection, discovery, exploitation and/or extraction activities of coal, crude oil, natural gas, metal-bearing ore, stone, sand, clay, peat and/or salt;

Evaluation – procedure of determining the value size of accounting items;

Financial accounting – system for collection, registration, processing and generalization of information concerning the existence and movement of assets, equity, liabilities, revenues and expenses, in order to draw up the financial statements;

Financial statements – set of reports that characterize the financial position, the financial performance and other information related to the activity of the entity during a management period;

General accounts plan – normative act that sets out a classified list of accounts, their characteristics and mode of application;

Group – parent entity and all subsidiaries as a whole;

International Financial Reporting Standards – standards and interpretations issued by the International Accounting Standards Board, accepted for application in the Republic of Moldova (hereinafter called *IFRS*);

Stocktaking – procedure of control and documentary authentication of existing assets, equity and liabilities that belong to and/or are under the temporary management of the entity;

Management accounting – information collection, registration, processing and transmission system for planning, control and analysis of the entity's activity, and for drawing up internal reports for managerial decision-making;

National Accounting Standards – normative acts developed on the grounds of the Directive 2013/34/EU of the European Parliament and of the IFRS Board, approved by the Ministry of Finance (hereinafter called *NAS*);

Sale revenues – revenues obtained from the sale of products, goods, provision of services, execution of works, construction contracts, leasing contracts, insurance premiums, dividends, shares, interest rates, and other revenues related to the key activities of the entity;

Parent entity – entity that controls one or more subsidiaries;

Participating interest – the rights of an entity in another entity, which exceed 20% of the latter's share capital, rights that, by establishing a long-term strategic connection to it, are intended to contribute to the activity of the entity that holds them;

Primary document – documentary confirmation justifying the occurrence of economic facts or which grants the right to effect (produce) them; certifies the occurrence of an event;

Public depository of financial statements – single integrated system for collection, storage, generalization, analysis and publication of financial statements, the management report and the audit report of the entities;

Public interest entity – entity whose securities are admitted for trading on a regulated market; bank; insurer (re-insurer)/insurance company; undertaking for collective investment in securities with legal personality; large entity which is a state-owned enterprise or a joint stock company where the share of the state is higher than 50% of the share capital;

Recognition – recording in accounting and presentation in financial statements of an accounting item corresponding to the definition and meeting the recognition criteria set in the accounting standards;

Simple-entry accounting – unilateral recording of economic facts, according to the “entry- exit” method, without applying accounts and without drawing up the financial statements;

Subsidiary – entity controlled in full or in part by the parent entity;

Standalone entity **–** entity that is not part of a group;

Ultimate parent entity - parent entity that draws up consolidated financial statements of the largest group of entities.

(2) The notions used in this law that are not provided in para. (1) of this article are defined in the accounting standards, and in other normative acts approved according to Art. 8 para. (1) letter b).

Article 4. Categories of entities and groups

(1) A micro-entity is an entity that on the reporting date does not exceed the limits of two of the following criteria:

a) total assets – MDL 5,600,000;

b) sale revenues – MDL 11,200,000;

c) average number of employees in the management period – 10.

(2) A small entity is an entity that, not being a micro-entity, on the reporting date does not exceed the limits of two of the following criteria:

a) total assets – MDL 63,600,000;

b) sale revenues – MDL 127,200,000;

c) average number of employees in the management period – 50.

(3) A medium-sized entity is an entity that, not being a micro- or small entity, on the reporting date does not exceed the limits of two of the following criteria:

a) total assets – MDL 318,000,000;

b) sale revenues – MDL 636,000,000;

c) average number of employees in the management period – 250.

(4) A large entity is an entity that on the reporting date exceeds the limits of two of the following criteria:

a) total assets – MDL 318,000,000;

b) sale revenues – MDL 636,000,000;

c) average number of employees in the management period – 250.

(5) A small group is a group composed of a parent entity and subsidiaries that should be included in the consolidation and that on the reporting date of the parent entity, as a whole, do not exceed the limits of two of the following criteria:

a) total assets – MDL 80,300,000;

b) sale revenues – MDL 160,600,000;

c) average number of employees in the management period – 50.

(6) A medium-sized group is a group that, not being a small group, is composed of a parent entity and subsidiaries that should be included in the consolidation and that on the reporting date of the parent entity, as a whole, do not exceed the limits of two of the following criteria:

a) total assets – MDL 401,500,000;

b) sale revenues – MDL 803,100,000;

c) average number of employees in the management period – 250.

(7) A large group is a group composed of a parent entity and subsidiaries that should be included in the consolidation and that on the reporting date of the parent entity, as a whole, exceed the limits of two of the following criteria:

a) total assets – MDL 401,500,000;

b) sale revenues – MDL 803,100,000;

c) average number of employees in the management period – 250.

(8) An entity or group moves from one category to another if, one the reporting date, for the last two management periods, it exceeds or ceases to exceed the limits of two criteria of the category to which it belongs.

(9) The category assignment criteria provided in para. (1)-(7) of this article are applied for accounting and financial reporting purposes and are not applied to the entities listed in Art. 2 letters d)-f) and public interest entities.

Article 5. Manner of keeping accounting and application of accounting standards

(1) Micro-entities and natural persons that conduct entrepreneurial activity, once registered as

value-added tax payers, keep double-entry accounting and draw up abridged financial statements according to NAS, except investment societies, financial holding societies, joint financial holding societies, non-banking financial societies and holding societies with mixed activity, which draw up financial statements according to para. (2) and (3).

(2) Small entities keep double-entry accounting and draw up simplified financial statements according to NAS.

(3) Medium-sized and large entities keep double-entry accounting and draw up full financial statements according to NAS.

(4) Public interest entities keep double-entry accounting and draw up financial statements according to IFRS.

(5) Non-commercial organizations and representations of non-resident entities keep double-entry accounting and draw up financial statements according to methodical guidelines approved by the Ministry of Finance.

(6) Natural persons that conduct entrepreneurial activity, until their registration as value- added tax payers, natural persons that conduct professional activity in the justice sector and offices established by them, as well as individual offices of family doctors keep simple-entry accounting based on cash accounting, without drawing up financial statements, according to the methodical guidelines approved by the Ministry of Finance.

(7) The entity that is obliged to keep simple-entry accounting may keep double-entry accounting starting with the following management period.

(8) The entity that is obliged to draw up abridged financial statements may draw up simplified or full financial statements.

(9) The entity that is obliged to draw up simplified financial statements may draw up full financial statements.

(10) The passing from one set of financial statements to another is carried out starting with the following management period.

(11) The entities provided in para. (1)-(3) may keep accounting and draw up financial statements based on IFRS.

Article 6. General principles

Accounting and financial reporting is based on the following general principles:

a) *going concern* – this implies that the entity will continue normally its functioning for a period of at least 12 months from the reporting date, without the intent or need to liquidate or reduce significantly its activity;

b) *accrual accounting* – this provides the recognition of accounting items as they occur, regardless of the moment of collection/payment in cash or compensation in other forms;

c) *constancy of methods* – this consists in consequent application of accounting policies from one management period to the next;

d) *prudence* – this provides the non-admission of over-evaluation of assets and revenues and/or under-evaluation of liabilities and expenses;

e) *intangibility* – this implies that the total balance in the beginning of the current management period must correspond to the total balance at the end of the previous management period;

f) *separation of assets and liabilities* – this provides the presentation in financial statements of only information about the assets and liabilities of the entity, which must be accounted separately from the assets and liabilities of the owners or other entities;

g) *non-compensation* – this provides separate accounting and presentation in financial statements of assets and liabilities, and of revenues and expenses. The mutual compensation of assets or liabilities or of revenues and expenses is not allowed, except cases provided by this law or the accounting standards;

h) *priority of substance over form* – this implies that the information presented in financial statements must reflect rather the core and content of economic facts, than their legal form;

i) *evaluation at entry cost* – this provides that the accounting items presented in financial statements are evaluated at acquisition or production cost, except cases provided by the accounting standards;

j) *relative importance* – this provides that it is not necessary to meet the requirements concerning recognition and evaluation of accounting items, concerning presentation, publication and consolidation of information related to them, when the effects of meeting the respective requirements are insignificant.

Article 7. Language and currency in which the accounting is kept

(1) Accounting is kept in Romanian language and national currency.

(2) The accounting of economic facts carried out in foreign currency is kept both in national currency, and in foreign currency, according to accounting standards.

Chapter II
REGULATION IN THE AREA OF ACCOUNTING AND FINANCIAL REPORTING

Article 8. Regulatory bodies in the area of accounting and financial reporting and their competence

(1) The Ministry of Finance:

a) is in charge of accepting the IFRS, publishing them in the Official Gazette of the Republic of Moldova and posting them on the official website of the Ministry of Finance. The IFRS are published in the Official Gazette of the Republic of Moldova periodically, depending on the volume of conducted updates. The IFRS and the related updates are posted on the official website of the Ministry of Finance within one month from the date of receiving them from the International Accounting Standards Board;

b) is in charge of developing, approving, publishing in the Official Gazette of the Republic of Moldova and posting on the official website of the Ministry of Finance of:

- National Accounting Standards;
- methodical guidelines, regulations, instructions and other normative acts in the area of accounting and financial reporting;
- General accounts plan;
- forms of primary documents and instructions on how to fill them in;

c) represents the Republic of Moldova in international organizations in the area of accounting and financial reporting;

d) sets up working groups for the development and updating of normative acts provided in letter b);

e) provides methodological assistance in the area of accounting and financial reporting;

f) may delegate the development of draft normative acts in the area of accounting and financial reporting to a body/institution/association in the respective field.

(2) The funding sources of the working groups set up to develop and update normative acts provided in para. (1) letter b) are provided separately in the budget of the Ministry of Finance.

(3) The National Commission for Financial Markets and specialized central bodies may develop accounting regulation specific to certain branches and areas/sectors of activity, according to the accounting standards and other normative acts, with subsequent approval by the Ministry of Finance.

(4) The National Statistics Bureaus:

a) collects, stores and generalizes the financial statements, the management report and the audit report;

b) manages the Public depository of financial statements;

c) ensures the protection and security of data in the Public depository of financial statements as component part of state information resources;

d) by means of the Public depository of financial statements, provides the entities with the conditions required for the online or paper-based submission of financial statements, the management report and the audit report;

e) verifies the compliance with the form, completeness and submission deadlines of financial statements, the management report and the audit report;

f) by means of the Public depository of financial statements, publishes the financial statements, the management report and the audit report;

g) ensures the presentation of generalized information from the financial statements of the users;

h) may delegate to specialized central bodies and other public authorities the function of collecting and verifying the form, completeness and submission deadlines of financial statements of entities in certain branches and activity areas/sectors.

Article 9. Accounting and Financial Reporting Council

(1) The Accounting and Financial Reporting Council is set up under the Ministry of Finance to develop continuously and ensure the improvement of accounting and financial reporting.

(2) The Accounting and Financial Reporting Council is composed of representatives of the Ministry of Finance, the National Bank of Moldova, the National Commission for Financial Markets, the National Statistics Bureau, business and professional associations, and academia in the area of accounting.

(3) The regulation on the activity and nominal composition of the Accounting and Financial Reporting Council is approved by the Ministry of Finance.

(4) The funding sources of the Accounting and Financial Reporting Council are provided separately in the budget of the Ministry of Finance.

Chapter III
ORGANIZATION OF ACCOUNTING

Article 10. Accounting cycle

(1) The accounting cycle of the entity includes:

a) documentation of economic facts;

b) recognition and evaluation of accounting items;

c) recording of information in accounts;

d) drawing up of accounting registers;

e) stocktaking;

f) drawing up of financial statements.

(2) The provisions of para. (1) letters c) and f) are not binding for entities that keep simple-entry accounting.

Article 11. Primary documents

(1) Economic facts are accounted on the grounds of primary documents.

(2) The holding of assets by the entity under any title and the registration of sources of their origin and of economic facts without documenting and registering them in accounting are prohibited.

(3) Primary documents are drawn up during the performance (occurrence) of economic facts, and if this is impossible, immediately after the respective facts were performed (occurred).

(4) The entity uses standardized primary document forms approved by the Ministry of Finance and other public authorities or may develop and use primary document forms, approved by its management, pursuant to provisions of para. (7) and (8).

(5) The primary documents drawn up both on paper, and electronically have the same legal effect.

(6) If the primary document is drawn up electronically, upon user's request, the entity is obliged to provide him/her with a paper-based copy of the respective document.

(7) Primary documents include the following mandatory items:

a) name and number of the document;

b) drawing up date of the document;

c) name, address, IDNO (fiscal code) of the entity on whose behalf the document is drawn up;

d) name, address, IDNO (fiscal code) of the beneficiary of the document, and for natural persons – IDNP (personal code);

e) content of economic facts;

f) quantitative and value benchmarks by means of which the economic facts are expressed;

g) titles, first and last names and signatures of persons responsible for the performance (occurrence) of economic facts.

(7^1) In cases established by the Ministry of Finance, the value benchmarks in which economic facts are expressed in primary documents are not a mandatory items.

(8) In addition to the items provided in para. (7), the primary documents may include also other items, depending on the provisions of normative acts and the information needs of the entities.

(9) Where the primary documents, except primary documents under special regime, are drawn up electronically, the signature is not a mandatory element. In such cases, the identification of persons that initiated, ordered and/or approved the performance of the respective facts is determined through

internal procedures.

(10) The provisions of para. (7) letter d) are not mandatory for the drawing up of primary documents for citizens natural persons.

(11) Primary documents received from abroad and drawn up in a language other than Romanian, English or Russian are translated into Romanian.

(12) The persons that draw up and/or sign primary documents, as well as those that register them in accounting are liable in accordance with Art. 34.

(13) Cash, payment and settlement documents may be signed unilaterally by the head of the entity or two person entitled to sign, the first signature belonging to the head or another empowered person, and the second to the chief accountant or another empowered person.

(14) The correction of primary documents justifying cash and payment operations is prohibited.

(15) Primary documents, except those provided in para. (14), may be corrected, indicating the date when the correction was made, the first and last names of the chief accountant and/or of the person in charge, and applying the signature.

(16) It is prohibited that the chief accountant or another empowered person receives for execution documents concerning economic facts that contravene the legislation in force, informing in writing the head of the entity about the respective documents and facts. Such documents are accepted for execution only after the issue of written indications by the head of the entity, who would be liable for them.

Article 12. Primary documents under special regime

(1) The primary documents under special regime are drawn up according to standardized forms and are used in the following cases:

a) alienation of assets with transfer of the property right, except securities;

b) provision of services, except financial services provided by banks, payment institutions, electronic money issuing companies, non-bank credit organizations, savings and loan associations;

c) transportation of assets outside of the entity without transferring the property right;

d) *repealed*;

e) transmission of assets into leasing, rental, lease or beneficial interest.

(2) The manner of editing, issue, procurement, storage, evidence and use of standardized forms of primary documents under special regime, as well as their classified lists are set by the government.

(3) For operations provided in para. (1) of international nature, documents applied in the international practice or provided in the contract may serve as primary documents.

Article 13. Recognition and evaluation of accounting items

The recognition and evaluation of accounting items is carried out according to the provisions of accounting standards and other normative acts developed pursuant to Art. 8 para. (1) letter b).

Article 14. Accounts

(1) The entity that keeps double-entry accounting is obliged to apply accounts.

(2) The classified list, characteristics and manner of application of accounts by the entities that apply NAS are set in the General plan of accounts. Based on the General plan of accounts, the entity may develop working accounts.

Article 15. Accounting registers

(1) The data from primary documents is registered, collected and processed in accounting registers, drawn up on paper or electronically.

(2) The classified list of accounting registers and their structure are set by each entity independently, following its own information needs and in compliance with the provisions of para. (3).

(3) The accounting register includes the following mandatory items:

a) name of the register;

b) name of the entity that keeps the register;

c) starting and closing date of keeping the register and/or period for which it is drawn up;

d) date of occurrence of economic facts, in chronological and/or systematic order;

e) evidence benchmarks of economic facts;

f) title, first and last names and signature of the person in charge of keeping the register.

(4) If the accounting registers are kept electronically, the signature is not a mandatory element. In such cases, the identification of persons that initiated, ordered and/or approved the entry of information in the respective register is determined through internal procedures.

(5) Corrections in the accounting register are confirmed by signature of the person that made them, indicating the date of making them.

Article 16. Stocktaking

(1) The entity is obliged to conduct the general stocktaking of assets, equity and liabilities in the manner set by the Regulation on Stocktaking, developed and approved by the Ministry of Finance.

(2) Specific rules on conducting stocktaking in certain branches and activity areas/sectors are developed by specialized central bodies, in coordination with the Ministry of Finance.

Article 17. Storage of accounting documents

(1) The entity is obliged to store accounting documents that include primary documents, accounting registers, financial statements and other documents related to the organization and keeping of accounting. Accounting documents are systematized and stored according to the rules and terms set by the State body for supervision and administration of the Archive Fund of the Republic of Moldova.

(2) Accounting documents are kept by the entity on paper or electronically. Accounting documents may be kept on technical support, in cases where the accounting is kept by means of own information systems, under the condition that they may be accessed at any time, depending on the needs of the entity or upon request of bodies empowered by legislation.

(3) When storing accounting documents, the entity is obliged to ensure their protection against unauthorized modifications.

(4) In the event of loss, theft or destruction of accounting documents, the entity is obliged to restore them within 3 months from the date of finding the respective fact.

(5) If the entity ceases its activity, the accounting documents are transmitted to state archives according to the rules provided by the State body for supervision and administration of the Archive Fund of the Republic of Moldova.

Article 18. Obligations and rights of the entity related to accounting and financial reporting

(1) The entity is obliged to keep accounting and draw up financial statements in the manner provided by this law, the accounting standards and other normative acts approved according to Art. 8 para. (1) letter b).

(2) The liability for keeping accounting and financial reporting falls on:

a) head, administrator – for entities indicated in Art. 2 letters a), c) and d);

b) head, director – for entities indicated in Art. 2 letter b);

c) founder – for entities indicated in Art. 2 letter e);

d) natural persons that conduct entrepreneurial activity in the justice sector (notary, lawyer, bailiff, mediator, authorized administrator) – for entities indicated in Art. 2 letter f).

(3) The persons indicated in para. (2) are obliged to:

a) ensure the continuous organization and keeping of accounts from the state registration date of the entity until the date of its liquidation;

b) ensure the development, approval and application of accounting policies according to the accounting standards and other normative acts developed according to Art. 8 para. (1) letter b);

c) ensure the development and approval of:

- the working plan of accounts of the entity, as appropriate;
- internal management accounting procedures;
- forms of primary documents and accounting registers;
- rules on document circulation and accounting information processing technology;

d) ensure the full and accurate drawing up, as well as the integrity and storage of accounting documents;

e) organize the internal control system;

f) ensure the documentation of economic facts and their registration in accounting;

g) ensure compliance with the normative acts provided in Art. 8 para. (1);

h) ensure the drawing up, submission and publication, as appropriate, of financial statements in accordance with this law, the accounting standards and other normative acts provided in Art. 8 para. (1).

(4) The persons indicated in para. (2) have the right to:

a) appoint and dismiss the chief accountant or another person empowered to organize and conduct the accounting;

b) transmit the keeping of accounts to another entity on contractual basis;

c) set the manner of keeping accounts pursuant to provisions of Art. 5;

d) set internal rules concerning documentation of economic facts.

(5) The entity is entitled to set up an accounting subdivision (service).

(6) The chief accountant or another person empowered to organize and conduct the accounting of the entity, except public interest entities, must have a higher education degree in economics or a post-secondary technical vocational degree in economics.

(7) The chief accountant or another person empowered to organize and conduct the accounting of the public interest entity must have a higher education degree in economics. The legislation on specific activity areas may provide additional requirements for the chief accountant of public interest entities.

(8) In the entities that keep simple-entry accounting, the accounts may be kept directly by the persons indicated in para. (2) letters c) and d).

(9) Following the approval of annual financial statements, the entity registers in accounting the distribution of the annual profit by destinations, according to the decision of the general assembly or of other empowered body.

(10) The entity covers reported accounting loss from the net profit related to the current and previous management period, reserves, share capital, additional contributions made by owners (associates, shareholders, founders, members) as per the decision of their general assembly, and in case of state- and municipality-owned enterprise, the respective loss is covered by specialized central bodies and local public administration authorities.

Article 19. Access to accounting documents

(1) The accounting documents provided in Art. 17 para. (1) are property of the entity.

(2) The entity presents the accounting documents upon request of bodies empowered by legislation, on paper or electronically.

(3) The owners of the entity have free access to the information included in the accounting documents in the premises of the entity.

Chapter IV
INDIVIDUAL FINANCIAL STATEMENTS

Article 20. General provisions

(1) Financial statements are drawn up in an accurate manner, according to the provisions of this law and the accounting standards, providing a fair view of the financial position, financial performance and other information related to the activity of the entity.

(2) The information in financial statements must correspond to fundamental and enhancing qualitative characteristics.

(3) The fundamental qualitative characteristics are:

a) *relevance* – this provides that the information must be important for the users and must help them evaluate past, present and future events, confirm or correct previous evaluations thereof;

b) *faithful representation* – this provides that the information presented in financial statements must be complete, neutral and free from errors.

(4) The enhancing qualitative characteristics are:

a) *comparability* – this implies that financial statements must include comparative information, related to the previous period, for all accounting items reported in the current management period, unless the accounting standards provide otherwise;

b) *verifiability* – this consists in providing the users with the possibility to verify directly or indirectly the information in the financial statements;

c) *timelines* – this implies that the information is available to the user in a timely manner to influence their decisions;

d) *understandability* – this provides that the information must be classified, characterized and presented in a clear and concise manner.

(5) The financial statements include activity indicators of all branches, representations and internal subdivisions of the entity.

(6) The financial statements reflect the value of accounting items for the current and previous management period. If this value is not comparable, the data of the previous period is adjusted. The incomparability and all justifications are included in the explanatory note.

(7) In exceptional cases, if the application of a provision from this law or the accounting standards contravenes the provisions of para. (1), it is resorted to a derogation from the respective provisions in order to provide a fair view under para. (1). All derogations, reasons and their effects on financial positions, financial performance and other information related to the activity of the entity are reflected in the explanatory note.

(8) The entity that draws up abridged financial statements is not entitled to apply the derogation provided in para. (7).

Article 21. Content of individual financial statements

(1) Depending on the category of the entity and its information needs, the entity that applies NAS draws up and submits yearly one of the following sets of reports:

a) abridged financial statements;

b) simplified financial statements;

c) full financial statements.

(2) The abridged financial statements include:

a) abridged balance sheet;

b) abridged profit and loss account;

c) explanatory note.

(3) The simplified financial statements include:

a) balance sheet;

b) profit and loss account;

c) explanatory note.

(4) The full financial statements include:

a) balance sheet;

b) profit and loss account;

c) statement on changes in equity;

d) cash flow statement;

e) explanatory note.

(5) The form and manner of drawing up abridged, simplified and full financial statements are regulated by NAS.

(6) Public interest entities and other entities that apply IFRS draw up the financial statements according to the respective standards.

(7) For the first management period, the newly established entities, except public interest entities, may draw up the financial statements provided in para. (2), (3) or (4) depending on their own information needs. For the following management period, the entity draws up the financial statements depending on the criteria provided in Art. 4, as determined in the previous management period, and according to the provisions of Art. 5.

Article 22. The explanatory note on individual financial statements

(1) For the drawing up of the explanatory note on individual financial statement, the order of presenting the accounting items in the balance sheet and in the profit and loss account should be respected.

(2) The explanatory note contains additional information that is not included in the financial statements. The volume, structure and form of presenting the explanatory note are set by the entity itself, depending on its category, size, legal organization form, activity area/profile, information needs and the provisions of this law.

(3) In addition to other information provided by this law, the explanatory note must include information concerning:

a) adopted accounting policies;

b) in case of subsequent evaluation of fixed assets according to the reevaluation model:

- reevaluated value by category of fixed assets from the beginning until the end of the management period;
- modification of reevaluation-related discrepancies during the management period, accompanied by an explanation on their tax approach; and
- accounting value, in the event that the fixed assets were not reevaluated;

c) in case of subsequent reevaluation at the fair value of financial instruments and other categories of assets:

- methods used to determine the fair value and the information that lays at the basis of their application;
- fair value by each category from the beginning until the end of the management period and modifications of value differences originating from the adjustment of the fair value settled with the expenses and revenues of the management period;
- type and nature of derivative financial instruments, including significant terms and conditions that affect the value, calendar and certainty of future cash flows;
- movement of fair value reserves during the management period;

d) total value of financial commitments, guarantees or contingents assets and liabilities that are not included in the balance sheet, indicating the nature and form of each granted guarantee; the commitments related to pensions and affiliated or associated entities are presented separately;

e) amounts of advance payments and loans granted to members of the board, the executive body and the supervision body, indicating the interest rates, basic terms of granting them, reimbursed amounts and commitments made on their behalf under any kind of guarantees;

f) quantity and nature of individual revenue and expense items that have an unordinary size or incidence;

g) amounts of liabilities with a due date of more than 5 years and total value of liabilities covered by guarantees, indicating the nature and form of guarantees;

h) surrender of shares and own shares, where the entity does not draw up a management report;

i) individual asset and liabilities items that are more related to an element in the structure of the balance sheet, if they are not presented separately in the balance sheet;

j) average number of employees in the management period.

(4) In addition to the information provided in para. (3), the explanatory note of medium-sized, large and public interest entities includes mandatorily information concerning:

a) tangible and intangible assets:

- entry cost or, if subsequent evaluation at fair value or reevaluated value, the fair value or the reevaluated value at the beginning and at the end of the management period;
- increases, reductions or transfers during the management period;
- accumulated depreciation, accumulated impairment losses and reevaluation adjustments at the beginning and at the end of the management period, as well as their modifications during the management period;
- capitalized borrowing costs during the management period;
- subsequent capitalized costs during the management period;

b) financial instruments, if they are evaluated as charges:

- fair value, if such value can be determined, for each class of derivative financial instruments and their nature;
- accounting value and fair value of financial instruments from the assets class registered at a value higher than their fair value and the reasons for not reducing the accounting value;

c) amounts of remunerations granted during the management period to the members of the board, the executive body and the supervision body and other commitments occurred or assumed in relation to the pensions of current or former members of the respective bodies, by category;

d) average number of employees during the management period, distributed by category and staff expenses related to the management period, unless these were presented separately in the profit and loss account;

e) balance and modification of assets and liabilities concerning deferred income tax, in case of application of the deferred tax method;

f) names and address of assets where an interest of shares is held, indicating the share in the share capital, the size of the share capital and of the reserves, as well as the profit (loss) of the respective entity for the last management period for which the financial statements were approved;

g) number and nominal value of subscribed shares during the management period;

h) where there are various category of shares, number and nominal value of shares by each category;

i) types of owned financial instruments, indicating their number and the rights they entitle to;

j) names and addresses of all entities, registered according to civil legislation, associated with the entity, which are liable for its obligations with all of their assets, except goods that cannot be pursued according to the law;

k) name and address of the entity that draws up the consolidated financial statements for the largest group, where the entity is part of as a subsidiary, as appropriate;

l) name and address of the entity that draws up the consolidated financial statements for the smallest group, where the entity is part of as subsidiary and is included in the group provided in letter k), as appropriate;

m) proposal on profit distribution (loss coverage), as appropriate;

n) nature and commercial purpose of the entity's commitments that are not included in the balance sheet, as well as the financial impact of such commitments on the entity, provided that the resulting risks or benefits are significant;

o) nature and financial effects of significant events that occurred after the reporting date and are not reflected in the balance sheet and in the profit and loss account;

p) transactions with affiliated entities, including amount, nature of relation and other relevant information.

(5) In addition to the information provided in para. (3) and (4), the explanatory note of a large entity and of a public interest entity includes mandatorily information concerning:

a) sales revenues, presented by activity segments and geographical areas, set according to the applicable accounting standards;

b) total fees paid to audit entities for the audit of financial statements and total fees charged by the respective entities for services other than audit, including by type of services.

Article 23. Management report

(1) Medium-sized, large and public interest entities draw up and submit on a yearly basis a management report along with the financial statements.

(2) The management report contains a fair view of the position of the entity, development and performance of their activities and presents an analysis correlated to the size and complexity of conducted activities.

(3) The management report includes at least information concerning:

a) financial performance indicators;

b) non-financial performance indicators that are relevant for the activity of the entity;

c) development perspectives of the entity;

d) research and development activities;

e) acquisition of own shares and joint-stock shares;

f) branches of the entity;

g) main risks and uncertainties faced by the entity;

h) environment protection and professional opportunities of employees;

i) where the use of financial instruments is significant for the evaluation of financial position and performance:

- financial risk management objectives and policies for each major kind of forecasted transactions that use risk coverage methods;

- exposure degree of the entity to price risk, credit risk, liquidity risk and cash flow risk.

(4) The management report includes, as appropriate, additional references and explanations concerning the information presented according to the provisions of para. (3) letters a) and b) and the amounts presented in financial statements.

(5) The public interest entity that meets the criteria set for large entities and whose average

number of employees in the management period is higher than 500 is obliged to include a non- financial statement in the management report.

(6) The non-financial statement includes information concerning environment, social issues, human resources, respect of human rights and fighting of corruption and in light thereof, covers:

a) a brief description of the business model of the entity;

b) a description of adopted policies and applied procedures, as well as the results obtained by the entity;

c) main risks and manner of managing them.

(7) If the entity does not apply policies concerning environment, social issues, human resources, respect of human rights and fighting of corruption, the non-financial statements offer a clear and motivated explanation in this regard.

(8) The management report of the public interest entity whose securities are admitted for trading on a regulated market includes a chapter on corporate governance, which must contain information concerning:

a) the corporate governance code applied by the entity, with reference to the publication source;

b) degree of compliance by the entity with the provisions of the corporate governance code provided in letter a), and in cases of deviations, explanation concerning the parts of the code that do not apply and reasons for non-application;

c) internal control and risk management systems of the entity, concerning the financial reporting process;

d) direct or indirect significant shares in the share capital;

e) actual beneficiaries and holders of any securities that grant special control rights and description of the respective rights;

f) any restrictions concerning the right to vote, such as restriction of the right to vote for holders of a certain share in the share capital or of a certain number of votes; imposed terms for the exercise of the right to vote and systems where, in cooperation with the entity, the financial rights attached to securities are separated from their holding;

g) legislative provisions concerning the appointment and replacement of members of the board and the executive body, as well as concerning the amendment of the entity's bylaws;

h) competences of the board and the executive body concerning the issue and surrender of securities;

i) powers and rights of management bodies, shareholders and other holders of securities of the entity and manner of exercising them;

j) structure, manner of operation and composition of management bodies and committees of the entity;

k) the diversity policy applied in relation to the management bodies of the entity, including age, gender, education, work experience, as well as the objectives of the diversity policy, the manner of its application and the results, and if no such policy is applied, the entity presents an explanation in this regard.

(9) Large and public interest entities, which are entities from the extractive industry or in the area of forestry, include in the management report a separate chapter on payments made to the state, which includes the paid amount, in cash or in kind, as taxes for the natural resources, income tax, royalties, dividends, and license fee, if at least one of the respective payments exceeds the amount of MDL 1,700,000 during the management period. The information concerning payments made to the state includes:

a) total amount of payments, including by types, made to the state;

b) payments in kind made to the state, presented as quantity and value, accompanied by the justification of the manner of determining the respective value;

c) the total amount of payments, including by type, that relate to specific projects, made for each project that represents activity carried out under a contract, license, location or other similar legal agreements that generate payments to the state, interconnected legal agreements that generate a common payment being considered a single project.

(10) The standalone entity that, for each of the last two consecutive management periods, obtained sales revenues that exceed MDL 15,750,000,000 includes a separate income tax chapter in the management report. The income tax information includes:

a) description of the main activities of the entity;
b) sales revenues;
c) profit (loss) before taxation;
d) income tax expenses;
e) income tax paid;
f) net profit (loss) for the management period;
g) retained earnings (uncovered loss) of previous years.

The standalone entity does not submit income tax information if it conducts entrepreneurial activity exclusively in the Republic of Moldova.

(11) A subsidiary that represents a medium-sized or large entity, whose ultimate parent entity is not registered in the Republic of Moldova in accordance with Art.2, which is part of a group that, for each of the last two consecutive reporting periods, obtained sales revenues that exceed MDL 15,750,000,000 includes in the management report a separate chapter on group income tax. The income tax information includes the information provided in Art.30 para.(7) and is presented in the currency of the country in which the ultimate parent entity is registered. If mentioned information is not available or if the ultimate parent entity does not provide to the subsidiary with the information provided in Art.30 para.(7), the subsidiary submits the group income tax information held. If the subsidiary partially or does not submit the group income tax information, is offered a clear and motivated explanation in this regard.

Article 24. Management period

(1) The management period for all entities that draw up and present financial statements is a calendar year, which covers the period from January 1 until December 31, except:

a) cases of reorganization and liquidation of entities;

b) entities that apply another management period, which coincides with the financial reporting period of the parent entity;

c) entities, for which the Ministry of Finance, depending on the particularities of their activity, sets a management period that does not coincide with the calendar year;

d) newly established entities, for which the first management period covers the period from the state registration date until December 31 of the same calendar year or the last day of the management period.

(2) The date of drawing up date the financial statements is the last calendar date of the management period, except cases of reorganization and liquidation of the entity.

Article 25. Specific requirements for financial reporting in case of reorganization of the entity

(1) The last management period for the reorganized entity is the period starting with the first day of the management period or January 1 of the year when the state registration of the newly established entity was carried out and ending in the date of the respective registration.

(2) In case of reorganization of the entity by absorption, the last management period for the absorbed entity is the period starting with the first day of the management period or January 1 of the year when the entry concerning the cease of activity of the absorbed entity was made in the State Register of Legal Persons and ending in the date of the respective entry.

(3) The entity reorganized by merger, division or transformation draws up the last financial statements from the date preceding the state registration date of the newly established entities (the date of making in the State Registry of Legal Persons of the entry concerning the cease of activity of the merged, divided or transformed entity).

(4) The last financial statements include data on economic facts that took place in the period from the approval date of the allotment balance or act of transmission until the state registration date of the newly established entities (date of making the entry in the State Register of Legal Persons concerning the cease of activity of the merged, divided or transformed entity).

(5) The first management period for the newly established entities following reorganization is the period from their state registration date until December 31 of the same calendar year or the last day of the management period.

(6) The newly established entities following reorganization draw up the first financial statements on their state registration date, based on the allotment balance or the act of transmission and data on economic facts that took place in the period from the approval date of the allotment balance or

of the act of transmission until the state registration date of newly established entities following reorganization (date of making the entry in the State Register of Legal Persons concerning the cease of activity of the merged, divided or transformed entity).

Article 26. Specific requirements for financial reporting in case of liquidation of the entity

(1) For the liquidated entity, the management period is the period starting with the first day of the management period or January 1 of the year when the decision was adopted concerning the erasure from the State Register of Legal Persons and ending in the date of the respective entry.

(2) The last financial statements of the liquidated entity are drawn up by the liquidation committee (liquidator) or the person appointed by the court of justice, if the entity is liquidated in the framework of an insolvency proceeding.

(3) The last financial statements of the liquidated entity are drawn up on the date preceding the date of erasure from the State Register of Legal Persons.

(4) The last financial statements of the liquidated entity are drawn up based on the approved liquidation balance and the date on economic facts that took place in the period from the approval date of the liquidation balance until the date of erasure of the entity from the State Register of Legal Persons.

Chapter V
CONSOLIDATED FINANCIAL STATEMENTS

Article 27. Duty to draw up the consolidated financial statements and the consolidated management report

(1) In addition to individual financial statements, the parent entity draws up consolidated financial statements according to the provisions of this law and the accounting standards.

(2) The consolidated financial statements are drawn up in compliance with the general provisions provided in Art. 20.

(3) In addition to consolidated financial statements, the parent entity draws up the consolidated management report according to the provisions of Art. 30.

(4) Small and medium-sized groups are exempted from drawing up the consolidated financial statements and the consolidated management report, except the case where one of the affiliated entities is a public interest entity.

(5) The parent entity draws up the consolidated financial statements and the consolidated management report, regardless of the location of its subsidiaries.

(6) The parent entity is exempted from drawing up the consolidated financial statements in cases provided in the accounting standards.

Article 28. Content of consolidated financial statements

(1) The consolidated financial statements present the financial position, financial performance and other information related to the activity of the entities included in the consolidation.

(2) The content, form and manner of drawing up of consolidated financial statements are set in the accounting standards.

(3) The parent entity draws up the consolidated financial statements starting from the first management period when the criteria provided in Art. 4 were exceeded by the group to which it belongs, in compliance with the provisions of Art. 27.

(4) The consolidated financial statements are drawn up, signed, presented and published in the same way as the individual financial statements of the parent entity, taking into account the significant adjustments resulting from the specific characteristics of consolidated financial statements.

(5) The consolidated financial statements are drawn up for the same management period as the individual financial statements of the parent entity.

(6) The parent entity that draws up the consolidated financial statements applies the same evaluation methods on accounting items as for the individual financial statements.

Article 29. Explanatory note on consolidated financial statements

(1) The explanatory note on consolidated financial statements includes the information provided in Art. 22, in order to facilitate the evaluation of the financial position of entities included in the consolidation, as a whole, taking into account the significant adjustments resulting from the specific

characteristics of consolidated financial statements compared to individual financial statements.

(2) The explanatory note on consolidated financial statements is drawn up taking into account the following aspects:

a) when presenting the transaction between affiliated entities, it does not include transactions between affiliated entities included in the consolidation;

b) when presenting the average number of employees in the management period, it presents separately the average number of employees higher by proportionally consolidated entities;

c) when presenting allowances, advance payments and loans granted to members of the board, the executive body and the supervision body, it indicates only amounts granted by the parent entity and subsidiaries to members of the respective bodies of the parent entity.

(3) In addition to the information provided in para. (2), the explanatory note on consolidated financial statements includes information concerning:

a) names and addresses of entities included in the consolidation, indicating the share in the share capital, held in the respective entities, other than the parent entity, by entities included in the consolidation or by persons acting on their own behalf, but in the interest of other entities, as well as other information concerning the conditions that are the grounds for conducting the consolidation;

b) names and addresses of entities excluded from the consolidation because they do not comply with the principle of continuity of activity or are exempted from consolidation according to accounting standards;

c) names and addresses of associated entities included in the consolidation and the share in their share capital, held by entities included in the consolidation or by persons acting on their behalf, but in the interest of entities included in the consolidation;

d) names and addresses of proportionally consolidated entities, the factors that are grounds for joint management of respective entities, as well as the share in their share capital, held by entities included in the consolidation or by persons acting on their own behalf, but in the interest of entities included in the consolidation;

e) names and addresses of entities where the entities included in the consolidation hold an interest in shares, indicating the share in the share capital, the size of the share capital and of reserves, as well as the profit (loss) of entities where the respective interest is held for the last management period for which the financial statements were approved.

Article 30. Consolidated management report

(1) The consolidated management report includes the information provided in Art. 23, taking into account the significant adjustments resulting from the specific characteristics of a consolidated management report, in a manner that facilitates the evaluation of the position of entities included in the consolidation, as a whole.

(2) The consolidated management report is drawn up with the following adjustments of information indicated in Art. 23:

a) when presenting the information about own shares or joint-stock shares held by entities, it indicates the number and nominal value of all shares or joint-stock shares of the parent entity held by it, its subsidiaries and persons acting on their own behalf and/or on behalf of the respective entities;

b) in the corporate governance chapter, it describes the main characteristics of internal control and risk management systems for the entities included in the consolidation, as a whole.

(3) The public interest entity that is a parent entity in a large group where at the end of the management period, the average number of employees in the management period is higher than 500, includes a consolidated non-financial statement in the consolidated management report.

(4) The consolidated non-financial statement includes the information provided in Art. 23 para. (6) and (7), and, as appropriate, additional references and explanations concerning the amounts presented in the consolidated financial statements.

(5) Large and public interest entities, which are entities from the extractive industry or in the area of forestry and which, as parent entities, have the obligation to draw up consolidated financial statements, include in the consolidated management report a separate chapter on payments made to the state, if at least one of the respective payments exceeds the amount of MDL 1,700,000 in the management period. The information on payments to the state includes the information provided in Art. 23 para. (9).

(6) The parent entity is considered an entity from the extractive industry or in the area of

forestry, if at least one of the subsidiaries has the respective quality.

(7) The ultimate parent entity that is part of a group that, for each of the last two consecutive management periods, obtained sales revenues that exceed MDL 15,750,000,000 includes a separate income tax chapter in the consolidated management report. The income tax information specified for each group entity includes:

a) the names of the group entities and a description of their main activities;
b) sales revenues;
c) profit (loss) before taxation;
d) income tax expenses;
e) income tax paid;
f) net profit (loss) for the management period;
g) retained earnings (uncovered loss).

The ultimate parent entity does not submit income tax information if it and its affiliated entities conduct entrepreneurial activity exclusively in the Republic of Moldova.

Chapter VI
SIGNING, AUDITING, SUBMISSION AND PUBLICATION OF INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Article 31. Signing of financial statements

The individual and consolidated financial statements are signed by the persons indicated in Art. 18 para. (2) before their submission and publication according to the provisions of Art. 33.

Article 32. Auditing of financial statements

(1) A mandatory auditing undergo:

a) the individual financial statements of medium-sized, large, public interest and other entities, according to the legislation in force;

b) the consolidated financial statements of groups, according to the provisions of Art. 27.

(2) The auditing of financial statements is performed according to the legislation in force on auditing of financial statements.

Article 33. Submission and publication of financial statements

(1) The entity submits on paper or electronically the individual financial statements, the management report and the audit report to the owners (associates, shareholders, founders, members) and to the National Statistics Bureau.

(2) The entity submits the individual financial statements also to other public authorities, financial institutions and interested users according to the legislation in force or based on the agreement with the entity.

(3) The public interest entity is obliged to submit the individual financial statements, the management report and the audit report, as appropriate, within 120 days from the last day of the management period. The entity, except for the public interest entity, is obliged to submit the individual financial statements, the management report and the audit report, as appropriate, within 150 days from the last day of the management period.

(4) The submission date of financial statements is considered the date of sending them by email, uploading them in the system of the Public depository of financial statements or the date of filing them with the National Statistics Bureau.

(5) The financial statements subject to a mandatory audit, the management report of the respective entities and the audit report are posted on the webpage of the entity within the terms provided for in para.(3) and remain available for a minimum of 5 years from the date of publication.

(6) The consolidated financial statements, the consolidated management report and the audit report, as appropriate, are submitted and published by the parent entity within 180 days from the last day of the management period, according to the provisions of para.(1), (2), (4) and (5).

(6^1) By way of derogation from the provisions of para. (1)–(5), the entity, during the period of suspension of activity, is exempt from the submission and publication of financial statements.

(7) The members of the board, the executive body and the supervision body, within limits of the competence provided by the legislation and the bylaws, are obliged to make sure that the individual

financial statements and the management report, the consolidated financial statements and the consolidated management report are drawn up, submitted and published according to this law and accounting standards.

Article 34. Liability for violation of this law

Entities and persons that violate the provisions of this law bear disciplinary, civil, administrative and/or criminal liability, according to the legislation in force.

Chapter VII
FINAL AND TRANSITORY PROVISIONS

Article 35. *repealed*

Article 36

(1) This law enters into force on January 1, 2019.

(2) On the date of entry into force of this law, the entity or group that applies as management period the calendar year sets the category to which it belongs based on the criteria provided in Art. 4 para. (1)-(7), according to the situation on December 31, 2018. The entity or group that applies a management period other than the calendar year sets the category to which it belongs according to the situation on the date of first reporting, following the entry into force of this law.

(3) From the date of entry into force of this law, the provisions of the Law on Accounting No. 113/2007 (republished in the Official Gazette of the Republic of Moldova, 2014, No. 27-34, Art. 61) apply only to budgetary authorities/institutions.

Article 37

(1) Within 6 months from the publication date of this law, the Government:

a) shall submit to the Parliament proposals on aligning the legislation in force to this law;

b) shall align its normative acts to this law;

c) shall ensure the development of draft normative acts necessary for the implementation of provisions of this law.

(2) The National Bank of Moldova, the National Commission for Financial Markets and specialized central bodies shall align its normative acts to this law.

SPEAKER OF THE PARLIAMENT **Andrian CANDU**

No. 287. Chisinau, December 15, 2017