

EU-projekt: Podrška Pravosudnoj akademiji: Razvoj sustava obuke za buduće suce i državne odvjetnike

EU-project: Support to the Judicial Academy: Developing a training system for future judges and prosecutors

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# ACCOUNTING ACT

## ZAKON O RAČUNOVODSTVU

### I GENERAL PROVISIONS

#### General provisions

#### Article 1

This Act regulates accounting of entrepreneurs, classification of entrepreneurs, bookkeeping documents and business books, inventory of assets and liabilities, application of financial reporting standards and the body in charge of adoption of financial reporting standards, annual financial statements and consolidation of annual financial statements, auditing of annual financial statements, contents of an annual report, publication of annual financial statements, Register of Annual Financial Statements and supervision activities.

Definitions and application

#### Article 2

(1) Entrepreneurs are obliged to apply the provisions of this Act.

(2) Within the meaning of this Act, an entrepreneur means:

1. a company and a sole trader as defined by the provisions governing companies;
  2. a business unit of the entrepreneur referred to in item 1 of this paragraph with its seat in a foreign country if, according to that country's legislation, there is no obligation to keep business books and draw up financial statements, and a business unit of an entrepreneur from a foreign country which is a profit tax payer pursuant to the legislation governing taxation.
- (3) In addition to the entrepreneurs referred to in paragraph 2 of this Article, the provisions of this Act shall also be applied by any legal and natural person who is a profit tax payer as stipulated by relevant tax legislation, except for the provisions regulating consolidation of annual financial statements (Article 16), auditing of annual financial statements (Article 17), annual report (Article 18) and publication (Article 20).
- (4) The provisions of this Act do not apply to the state budget and beneficiaries of the state budget, budgets of local and regional self-government units and their budgetary beneficiaries, religious communities, political parties, trade unions and other non-profit organisations.
- (5) Accounting of religious communities, political parties, trade unions and other non-profit organisations shall be prescribed by the Government of the Republic of Croatia.

## Classification of entrepreneurs

### Article 3

(1) Entrepreneurs, as defined by this Act, shall be classified as small, medium-sized and large entrepreneurs on the basis of the indicators determined at the last day of the financial year preceding the financial year in respect of which financial statements are drawn up according to the following criteria:

- total assets;
- revenue;
- average number of employees in the course of the financial year.

(2) Small entrepreneurs are those which do not exceed any two of the following conditions:

- total assets of HRK 32,500,000.00;
- revenue of HRK 65,000,000.00;
- average number of employees in the course of the financial year: 50.

(3) Medium-sized entrepreneurs are those which exceed any two of the conditions referred to in paragraph 2 of this Article, but do not exceed two of the following conditions:

- total assets of HRK 130,000,000.00;
- revenue of HRK 260,000,000.00;
- average number of employees in the course of the financial year: 250.

(4) Large entrepreneurs are those which exceed any two of the conditions referred to in paragraph 3 of this Article.

(5) In addition to the entrepreneurs referred to in paragraph 4 of this Article, large entrepreneurs, within the meaning of this Act, are banks, savings banks, building societies, electronic money institutions, insurance companies, leasing companies, investment funds management companies and separate assets without legal personality under their management, investment funds management companies and assets under management of investment funds with legal personality, compulsory- and voluntary pension funds management companies and separate assets under their management, and pension insurance companies.

## Accounting tasks

### Article 4

(1) Accounting tasks are: collection and processing of information on the basis of bookkeeping documents, preparation and keeping of business books, preparation and drawing up of financial statements, and collection and processing of information with regard to preparation and drawing up of annual reports and of financial information required for statistical, taxation and other purposes.

(2) Entrepreneurs shall collect and prepare bookkeeping documents, keep business books and draw up financial statements pursuant to this Act and the legislation passed under this Act and in doing this they shall comply with the relevant accounting standards and basic principles of orderly bookkeeping.

(3) Entrepreneurs shall organise collection and preparation of bookkeeping documents, keeping of business books and drawing up of annual financial statements in such manner as to enable verification of business transactions, financial position and business performance of the entrepreneurs.

## II BOOKKEEPING DOCUMENTS

### Bookkeeping documents

#### Article 5

(1) A bookkeeping document is a written document or an electronic record of a business transaction that has taken place.

(2) A bookkeeping document shall be prepared at the time and place where a transaction has been effected, with the exception of those documents that are prepared at the bookkeeping department of the entrepreneur.

(3) A bookkeeping document shall clearly and authentically contain all relevant pieces of information about a transaction.

(4) A bookkeeping document shall be produced in a single copy or more than one copies.

(5) A bookkeeping document which is produced in a single copy may be distributed, provided the data contained therein are available at all times.

(6) A document received through telecommunication system, a photocopy of an original document or a document on an electronic medium shall also be deemed to be a bookkeeping document if the place where the original document is kept or the reason for the use of photocopy is stated on the document and if it is signed by the person authorised for representation of the entrepreneur or the person authorised for representation by delegation of authority.

### Preparation of bookkeeping documents

#### Article 6

(1) A bookkeeping document shall be authentic, neat and prepared in such manner as to ensure timely supervision. The person authorised for representation of entrepreneurs or the person authorised for representation by delegation of authority shall guarantee by his/her signature on a bookkeeping document that it is authentic and orderly.

(2) Instead of signature of the person authorised for representation of entrepreneurs or the person authorised for representation by delegation of authority, a bookkeeping document produced in electronic form may contain the name and surname or any other recognisable identification of the person authorised for issuance of a bookkeeping document or shall be signed in accordance with the legislation regulating electronic signature.

(3) A bookkeeping document shall be produced in such manner as to enable a technical person to discern the respective transaction therefrom.

(4) Entrepreneurs shall check accuracy and integrity of a bookkeeping document prior to entry of the information from the bookkeeping document into the business books.

### Safe keeping of bookkeeping documents

#### Article 7

(1) Bookkeeping documents shall be safe kept in their original form using an automatic processing carrier or micrographic processing carrier.

(2) The following bookkeeping documents shall be safe kept:

1. pay-roll records, analytical records of salaries in respect of which statutory contributions are paid shall be safe kept permanently;

2. documents on the basis of which data have been entered into the journal and general ledger shall be safe kept for a minimum period of eleven years;

3. documents on the basis of which data have been entered into subsidiary ledgers shall be safe kept for a minimum period of seven years.

(3) The period for safe keeping the bookkeeping documents referred to in paragraph 2, items 2 and 3 above, shall start to run on the last day of the financial years to which the business books containing the information from such documents relate.

## III BUSINESS BOOKS

## Business books

### Article 8

- (1) Business books shall be kept according to the principle of double-entry bookkeeping.
- (2) Business books shall include journal, general ledger and subsidiary ledgers.
- (3) Journal is a business book in which transactions are entered chronologically. A journal may be set up as a single book or several books intended for changes in individual groups of balance-sheet items or for off-balance-sheet items.
- (4) General ledger is a systematic bookkeeping record of changes in the financial position and of business performance.
- (5) A general ledger consists of two independent components as follows:
  - balance-sheet records and
  - off-balance-sheet records.
- (6) A general ledger must contain accounts prepared in advance which, according to entrepreneurs' needs, provide information necessary for preparation of annual financial statements.
- (7) As a general rule, subsidiary ledgers shall be kept separately.
- (8) The information in subsidiary ledgers that relate to tangible assets shall show quantities and cash values.

## Keeping of business books

### Article 9

- (1) Information is entered into business books on the basis of bookkeeping documents.
- (2) Business books shall be kept on the principle of unalterable record of a business transaction that has taken place.
- (3) The financial year normally corresponds to the calendar year, but may differ from the calendar year.
- (4) Business books shall be opened at the beginning of the financial year on the basis of the balance sheet as at the end of the preceding financial year or on the basis of inventory of assets and liabilities in the case of newly established entrepreneurs or on the basis of a bookkeeping document.
- (5) Subsidiary ledgers shall be opened by bringing forward the balances from the business

books closed at the end of the preceding financial year.

(6) Business books shall be kept in such manner as to ensure control of entered information, accuracy of entered information, preservation of information, possibility of use of the information, possibility of gaining insight into financial transactions and balances in the general ledger accounts, and the possibility of gaining insight into the chronological sequence of transactions that have been entered.

#### Preservation of business books

##### Article 10

(1) Business books shall be closed at the end of a financial year and safe kept for the periods of time stipulated by this Act.

(2) Where business books are kept in electronic form, the general ledger shall, upon closure at the end of the respective financial year, be protected in such manner as to prevent changes in any part or sheet thereof, so that it can be printed out at any time, and shall be signed by way of electronic signature pursuant to the provisions regulating electronic signature, or shall be printed out and bound so as to prevent changes in any part or sheet thereof and shall be signed by the person authorised for representation of entrepreneurs.

(3) Business books shall be safe kept for a period of time as follows:

1. the journal and the general ledger – for a minimum period of eleven years;
2. subsidiary ledgers – for a minimum period of seven years;

(4) The above periods shall start to run on the last day of the financial year to which the respective business books relate.

#### IV INVENTORY OF ASSETS AND LIABILITIES

##### Inventory of assets and liabilities

##### Article 11

(1) Entrepreneurs shall, at the start of their operations, take inventory of their assets and liabilities indicating their individual values expressed in cash amount and quantity.

(2) Entrepreneurs shall, at least once a year, i.e. at the end of a financial year, take inventory of their assets and liabilities, and adjust their book balances with actual balances of assets and liabilities as per the inventory.

(3) Entrepreneurs who take inventory of assets and liabilities in the course of a financial year shall, at the end of the financial year in question, adjust their book balances with actual balances of assets and liabilities as per the inventory.

(4) Apart from the inventory referred to in paragraph 2 above, entrepreneurs shall take inventory of the assets and liabilities in the case of change in prices of products and goods,

status changes, opening of bankruptcy proceedings or institution of winding-up proceedings.

## V FINANCIAL REPORTING STANDARDS

### Financial reporting standards

#### Article 12

(1) The Croatian Financial Reporting Standards (hereinafter referred to as "CFRS") are accounting principles and rules for drawing-up and presentation of financial reports applied by the accounting profession.

(2) The CFRS shall be issued by the Financial Reporting Standards Committee in accordance with this Act.

(3) The CFRS shall be published in the Official Gazette.

(4) The International Financial Reporting Standards include the International Accounting Standards (IAS), amendments thereto and related interpretations, and the International Financial Reporting Standards (IFRS), amendments thereto and related interpretations, which have been established by the European Commission and published in the Official Journal of the European Union.

### Application of financial reporting standards

#### Article 13

(1) Entrepreneurs shall draw up and present annual financial statements by application of the CFRS.

(2) By way of derogation from paragraph 1 above, large entrepreneurs and those entrepreneurs whose shares or debt securities are listed or are in the process of preparation for listing on an organised securities market shall draw up and present their annual financial statements by application of the International Financial Reporting Standards.

## VI FINANCIAL REPORTING STANDARDS COMMITTEE

### Financial Reporting Standards Committee

#### Article 14

(1) The Financial Reporting Standards Committee (hereinafter: the Committee) is a professional body having the following competences:

1. analyses and monitors development of the accounting theory and practice;
2. issues the CFRS;
3. issues interpretations of the CFRS;

4. makes preparations for publication and publishes the CFRS;

5. performs other tasks laid down in this Act.

(2) The Committee shall comprise nine members who shall be appointed, for a term of office of five years, and relieved of their duty by the Government of the Republic of Croatia upon proposal of the Finance Minister.

(3) Any citizen of the Republic of Croatia with a university degree, adequate technical knowledge and professional experience in the field of finances, accounting or auditing may be appointed as a member of the Committee and thus be qualified as a competent and trustworthy member of the Committee.

(4) A member of the Committee shall be entitled to remuneration for his/her serving on the Committee.

(5) The Committee shall be financed by the state budget and own income from fees.

(6) The Committee shall issue the Ordinance on the modus operandi of the Committee and the Ordinance shall be endorsed by the Government of the Republic of Croatia.

(7) The Ordinance shall contain provisions on the objectives, modus operandi, decision-making, financing and fees.

(8) Once a year the Committee shall submit a report on its activities to the Government of the Republic of Croatia.

## VII FINANCIAL STATEMENTS

### Annual financial statements

#### Article 15

(1) Entrepreneurs shall draw up annual financial statements in the format, with the contents and in the manner stipulated by this Act and the provisions adopted on the basis of this Act.

(2) By way of derogation from paragraph 1 above, the entrepreneurs, whose conduct of business activities is regulated by special provisions according to which the competent regulatory authority has prescribed the contents and structure of annual financial statements, shall draw up annual financial statements in accordance with this Act and such special provisions.

(3) The annual financial statements shall comprise:

- balance sheet;
- profit and loss account;
- cash flow statement;
- statement on changes in equity;



– notes to the financial statements.

(4) The structure and contents of annual financial statements shall be prescribed by the Finance Minister upon proposal of the Committee and shall be published in the Official Gazette.

(5) By way of derogation from paragraph 4 above, the structure and contents of annual financial statements for the entrepreneurs referred to in paragraph 2 of this Article shall be prescribed by the regulatory authority competent for supervision of their operations, and shall be published in the Official Gazette.

(6) Annual financial statements shall provide a true and fair view of the financial position and business performance of the respective entrepreneur.

(7) Annual financial statements shall be drawn up for the financial year that corresponds to the calendar year.

(8) By way of derogation from paragraph 7 above, a financial year may differ from a calendar year if this is regulated by other rules or regulations or if such arrangement is suited to the needs of the concerned entrepreneur.

(9) Entrepreneurs shall also draw up annual financial statements in the case of status changes, opening of bankruptcy proceedings or institution of winding-up proceedings and these shall be drawn up as at the date immediately preceding the date of entry of the change in status, date of opening of bankruptcy proceedings or date of institution of winding-up proceedings.

(10) By way of derogation from paragraph 3 of this Article, small entrepreneurs shall prepare balance sheet, profit and loss account and the notes to the financial statements.

(11) The person authorised for representation of entrepreneurs shall be responsible for annual financial statements.

(12) Annual financial statements shall be signed by the person authorised for representation of entrepreneurs.

(13) Annual financial statements shall be safe kept permanently in the original.

#### Consolidation of annual financial statements

#### Article 16

(1) Consolidated annual financial statements are financial statements of a group of entrepreneurs in which a certain entrepreneur (parent company) has a right to manage financial and business policies of one or more entrepreneurs (subsidiary company) and thus exercises dominant influence (control), and are presented as integral financial statements.

(2) Consolidated annual financial statements shall be drawn up by the entrepreneur who represents the parent company in the group of entrepreneurs.

(3) Within the meaning of this Act, the parent company means the entrepreneur who meets at least one of the following requirements:

1. has majority shareholding or holding with voting rights in another entrepreneur;
2. is entitled to appoint or dismiss the majority of members of the management board or supervisory board of another entrepreneur; or
3. has dominant influence over another entrepreneur on the basis of an agreement or another legal relationship; or
4. if the majority of the members of the management board or supervisory board of the subsidiary company, who performed that duty in the prior financial year and are still performing it until the time of preparation of annual financial statements, were appointed exclusively for the purpose of exercising the voting right of the parent company; or
5. has a participation or right to make decisions in the subsidiary company on the basis of agreement with other holders of participations or decision-making rights so that it controls the majority of voting rights in the subsidiary company.

(4) The provisions of Article 15, paragraphs 4 to 13, of this Act apply to drawing up of consolidated annual financial statements.

(5) A consolidated annual financial statement should not include the financial position and business performance of the subsidiary company if this does not materially affect the financial position and business performance of the parent company.

(6) In the case referred to in paragraph 5 above, in the notes to the financial statements entrepreneurs shall state the reasons why they have not included the financial position and business performance of the specific entrepreneur in the consolidated annual financial statements.

(7) More detailed requirements and rules for consolidation of annual financial statements are stipulated by the CFRS.

(8) By way of derogation from paragraph 7 above, detailed requirements and rules for consolidation of annual financial statements of the entrepreneurs who are obliged to draw up and present annual financial statements pursuant to Article 13, paragraph 2, of this Act are regulated by the International Financial Reporting Standards.

## Audit of annual financial statements

### Article 17

(1) The following annual financial statements shall be subject to audit: annual financial statements and consolidated annual financial statements of large entrepreneurs, medium-sized entrepreneurs and of the entrepreneurs whose shares or debt securities are listed or are in the process of preparation for listing on an organised securities market.

(2) Annual financial statements of those entrepreneurs who are required to have their financial

statements audited under special provisions governing their operations shall also be subject to audit.

(3) As a minimum requirement, an auditor's report shall include:

1. introduction in which all audited financial statements are listed along with the accounting policies used in preparation of the financial statements;
2. description of the purpose and scope of the audit, stating the auditing standards according to which the audit has been conducted;
3. the auditor's opinion which clearly shows whether the annual financial statements give a true and fair view of the financial position of the entrepreneur pursuant to this Act and the CFRS or the International Financial Reporting Standards, and whether the annual financial statements conform with the provisions regulating the operations of the entrepreneur in question; the auditor's opinion may be a positive opinion or an opinion with reservations or a negative opinion or a certified auditor may withhold his/her opinion if he/she is unable to express it;
4. special warnings and problems to which the certified auditor wishes to draw attention, but without expressing an opinion with reservations;
5. opinion about conformity of the annual report with the annual financial statements for the same financial year.

(4) The certified auditor shall sign and date the auditor's report.

(5) Audit of financial statements and of their alignment with the annual report shall be conducted in accordance with the provisions governing auditing activities.

(6) The auditor's report shall be safe kept permanently in the original.

## VIII ANNUAL REPORT

### Annual report

#### Article 18

(1) Entrepreneurs shall prepare an annual report that includes an objective overview of the development and results of their operations and their position along with a description of main risks and uncertainties they face, and the information about environment protection and employees if this is necessary for understanding of the development, operating results of the respective entrepreneur and their position.

(2) The annual report shall contain:

1. all material events after the end of the financial year;
2. likely future development of the company;

3. research and development activities;
4. information about repurchase of own shares;
5. branch offices if any;
6. the financial instruments used, if this is material for evaluation of the financial position and business performance;
7. the company's objectives and policies with regard to management of financial risks along with the protection policy concerning any significant type of forecast transaction for which protection is used;
8. the company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

(3) The annual reports of large entrepreneurs and the entrepreneurs whose shares or debt securities are listed on an organised securities market shall also contain the corporate governance rules they apply.

(4) By way of derogation from paragraph 1 of this Article, small entrepreneurs are not obliged to prepare the annual report, but they must disclose the information about repurchase of own shares in the notes to the financial statements.

(5) The annual report shall be safe kept for eleven years from the last day of the financial year in respect of which it has been drawn up, and shall be safe kept in the original.

#### Language and currency

##### Article 19

(1) Business books, annual financial statements, annual reports and other financial information shall be drawn up in the Croatian language.

(2) The amounts in the business books, annual financial statements, annual reports and other financial information shall be expressed in the currency used in the Republic of Croatia.

#### IX PUBLICATION

##### Publication

##### Article 20

(1) Entrepreneurs shall submit to the Financial Agency, for the purpose of publication, their annual financial statements and annual report, as well as auditor's report if their annual financial statements are subject to audit pursuant to Article 17 of this Act, and consolidated annual financial statements if they are obliged to prepare these pursuant to Article 16 of this Act.

(2) By way of derogation from paragraph 1 above, small entrepreneurs shall submit to the Financial Agency, for the purpose of publication, the annual financial statements referred to in Article 15, paragraph 10 of this Act.

(3) In addition to the statements and reports referred to in paragraph 1 or paragraph 2 of this Article, entrepreneurs shall also submit to the Financial Agency the decision on adoption of annual financial statements by competent bodies and the decision on the proposed appropriation of profit or offsetting of loss if such decisions do not form an integral part of the annual financial statements or annual report.

(4) Entrepreneurs shall submit the statements and reports referred to in paragraphs 1 and 2 of this Article within six months of the last day of the financial year at the latest, whereas the entrepreneurs who draw up consolidated annual financial statements shall submit these within nine months of the last day of the financial year at the latest.

(5) Entrepreneurs who draw up annual financial statements pursuant to Article 15, paragraph 9, of this Act shall submit the annual financial statements within ninety days of the date of the status change, institution of winding-up proceedings or opening of bankruptcy proceedings, whereas the financial statements for the next financial years shall be submitted pursuant to paragraph 4 of this Act.

(6) Entrepreneurs shall be deemed to have fulfilled their publication duty as of the date of delivery to the Financial Agency of complete and accurate annual financial statements and annual report, and of the auditor's report if the annual financial statements of the respective entrepreneurs are subject to audit pursuant to Article 17 of this Act, as well as of consolidated annual financial statements if the entrepreneurs are obliged to prepare these pursuant to Article 16 of this Act.

(7) An entrepreneur who had no transactions in the course of the financial year nor has any information about assets and liabilities in the business books shall submit to the Financial Agency by 31 March of the current year the statement on inactivity for the previous financial year.

(8) The entrepreneur in question may submit the statements and reports referred to in paragraphs 1 to 3 of this Article in hard copy or in electronic form.

#### Financial information for statistical and other purposes

#### Article 21

(1) The entrepreneurs and the persons referred to in Article 2, paragraph 3, of this Act shall submit to the Financial Agency, by 31 March of the current year, the balance sheet, profit and loss account and additional information related to the previous calendar year for statistical and other purposes.

(2) The format and contents of the additional information referred to in paragraph 1 above shall be prescribed by the Finance Minister.

(3) By way of derogation from paragraph 1 of this Article, the entrepreneurs who submit to the Financial Agency by 31 March of the current year the statements and reports referred to in Article 20 of this Act for the purpose of publication, provided that their financial year corresponds with the calendar year, shall submit only additional information for statistical purposes.

## X REGISTER OF ANNUAL FINANCIAL STATEMENTS

### Register of Annual Financial Statements

#### Article 22

- (1) The Register of Annual Financial Statements is a central source of information about the financial position and business performance of entrepreneurs.
- (2) The Register of Annual Financial Statements contains information about the financial position and business performance, and the additional information referred to in Article 21, paragraph 1, of this Act.
- (3) The Register of Annual Financial Statements is kept in electronic form and is accessible on the web site.
- (4) The Register of Annual Financial Statements shows the following information for each individual entrepreneur on the web site:
1. annual financial statements;
  2. annual report;
  3. information about the proposed appropriation of profit or offsetting of loss.
- (5) In addition to the information referred to in paragraph 4 of this Article, the Register of Annual Financial Statements also shows on the web site consolidated annual financial statements of the entrepreneurs who are obliged to prepare these pursuant to Article 16 of this Act, and the auditor's report if annual financial statements of the entrepreneur in question are subject to audit pursuant to Article 17 of this Act.
- (6) By way of derogation from paragraph 4 of this Article, the Register of Annual Financial Statements for small entrepreneurs shows on the web site the annual financial statements referred to in Article 20, paragraph 2, of this Act in an abridged form.
- (7) The electronic form and the format of annual financial statements for publication on the web site of the Register of Annual Financial Statements shall be determined by the Financial Agency in accordance with the structure and contents of the annual financial statements referred to in Article 15, paragraph 4 or paragraph 5, of this Act, and shall be released on the web site of the Register of Annual Financial Statements.
- (8) The web site shall be set up in such manner as to enable free insight into the information referred to in paragraph 4 of this Article.
- (9) Access to the web site referred to in paragraph 4 of this Article shall also be made possible from the web site of the court register.

### Keeping of the Register of Annual Financial Statements

#### Article 23

- (1) The Register of Annual Financial Statements shall be kept by the Financial Agency.
- (2) The Financial Agency shall enter the information referred to in Article 22, paragraphs 4, 5 and 6, of this Act in the Register of Annual Financial Statements and made public on the web site within 30 days of the date of receipt of the adopted, accurate and complete annual financial statement of the respective entrepreneur.
- (3) The Financial Agency shall safe keep annual financial statements, annual report, auditor's report and other documentation of the respective entrepreneur for eleven years of the date of receipt.
- (4) For the purpose of keeping the Register of Annual Financial Statements, the Financial Agency is authorised to collect, keep records of, process, file and publish annual financial statements and annual report of entrepreneurs, distribute the information from annual financial statements, manage the database and ensure protection of the database and the filed documents.
- (5) The Financial Agency is entitled to fee for keeping the Register of Annual Financial Statements.
- (6) For the purpose of making entries in the Register of Annual Financial Statements, the Financial Agency is authorised to take over the information from the court register at the end of each month for the previous month and the information from the register of the Tax Administration as at 31 December.
- (7) The Financial Agency shall be responsible for authenticity of electronic entry of information from annual financial statements, for publication and for processing of other information and documents which are recorded in the Register of Annual Financial Statements.
- (8) The types and levels of the fees referred to in paragraph 5 of this Article shall be prescribed by the Finance Minister.
- (9) The Financial Agency shall calculate and charge the fees referred to in paragraph 5 of this Act pursuant to the regulation adopted on the basis of paragraph 8 above.
- (10) The Financial Agency shall inform the court register of the receipt of the annual financial statements and the annual report intended for publication.
- (11) The information referred to in paragraph 10 above shall contain information about the date of receipt and the period to which the annual financial statements and the annual report relate.
- (12) The information shall be sent to the court register free of charge.
- (13) The Financial Agency shall inform the Tax Administration of the Ministry of Finance of the entrepreneurs who have not submitted to the Financial Agency the annual financial statements or annual report or auditor's report or consolidated annual financial statements pursuant to Article 20 of this Act.

(14) The method of keeping the Register of Annual Financial Statements, the manner of receipt and the procedure for verification of completeness and accuracy of annual financial statements and annual report shall be prescribed by the Finance Minister.

#### Use of information from the Register of Annual Financial Statements

##### Article 24

- (1) The Financial Agency shall, at a written request of any interested person, issue a photocopy or printout of annual financial statements, annual report or auditor's report, or excerpt thereof.
- (2) The Financial Agency shall enable access or submit all pieces of information from the Register of Annual Financial Statements to the Central Bureau of Statistics and the Tax Administration free of charge.
- (3) The Financial Agency may also submit the information from the Register of Annual Financial Statements to other persons if such information is used for statistical, analytical, scientific, research and other purposes.
- (4) The documentation and information taken over from the Register of Annual Financial Statements in the manner referred to in paragraphs 2 and 3 of this Article may be used for personal purposes only and shall not be disclosed to third parties nor further distributed or published.

#### XI SUPERVISION

##### Supervision of accounting operations

##### Article 25

- (1) The Tax Administration of the Ministry of Finance shall be authorised to exercise supervision of entrepreneurs in the area of accounting operations in order to check whether the respective entrepreneur conducts the accounting operations in accordance with the provisions of this Act, other legislation that regulates the entrepreneur's operations and contains provisions concerning accounting operations, as well as with the provisions adopted on the basis of such legislation.
- (2) The Croatian National Bank or the Croatian Financial Services Supervisory Agency shall also be authorised for supervision of entrepreneurs in the area of accounting operations in order to check whether the respective entrepreneur conducts the accounting operations in accordance with the provisions of this Act, other legislation that regulates the entrepreneur's operations and contains provisions concerning accounting operations, provided the Croatian National Bank or the Croatian Financial Services Supervisory Agency is authorised under such legislation for supervision of the entrepreneurs' operations.
- (3) The provisions of this Act that relate to supervision of accounting operations of



entrepreneurs appropriately apply to the persons referred to in Article 2, paragraph 3, of this Act.

### Method of supervision

#### Article 26

The Tax Administration of the Ministry of Finance shall exercise supervision of entrepreneurs in the area of accounting operations in the following manner:

1. by monitoring, collection and verification of bookkeeping documents, business books, annual financial statements and annual report, as well as other tax- and statistical reports (analysis of financial statements);
2. by verification of the data processing system used by the respective entrepreneur with respect to accounting operations;
3. by on-site supervision at the entrepreneur's.

### Persons authorised for supervision

#### Article 27

Supervision of entrepreneurs in the area of accounting operations shall be conducted by inspectors and other authorised employees of the Tax Administration of the Ministry of Finance.

### Scope of supervision

#### Article 28

- (1) Entrepreneurs shall allow an authorised person to inspect all bookkeeping documents, business books, annual financial statements and annual report, other tax- and statistical reports, and the system used for data processing.
- (2) Entrepreneurs shall, at the request of the Tax Administration of the Ministry of Finance submit a photocopy of the documents or financial statements referred to in paragraph 1 of this Article.
- (3) Entrepreneurs shall place at the disposal of authorised employees of the Tax Administration of the Ministry of Finance adequate premises where they may conduct supervision of accounting operations without disturbance and presence of other people.
- (4) The persons authorised for representation of entrepreneurs and the entrepreneurs' employees shall, at the request of the authorised employee of the Tax Administration of the Ministry of Finance make available all bookkeeping documents, business books, annual financial statements and annual reports, as well as other tax- and statistical reports and information about the accounting operations relevant for supervision.

(5) The Tax Administration of the Ministry of Finance may invite the persons referred to in paragraph 4 above to draw up a written report on the information referred to in paragraph 4 above within a minimum period of three days or may invite them to make an oral statement.

### Supervision notice

#### Article 29

(1) The notice of supervision of the operations shall be submitted to the respective entrepreneur at least eight days prior to the beginning of the supervision.

(2) By way of derogation from paragraph 1 above, the authorised person may hand over the notice of supervision of the operations at the beginning of the supervision if it has not been possible to achieve the objective of the supervision any other way.

(3) The notice of supervision of the operations shall contain the subject-matter of the supervision.

### Supervision measures

#### Article 30

(1) The Tax Administration of the Ministry of Finance may impose the following supervision measures:

1. decision on elimination of irregularities;
2. initiation of minor offence- or criminal proceedings.

(2) The decision referred to in paragraph 1, item 1, of this Article shall be final and administrative procedure may not be initiated against it.

(3) The entrepreneur to whom the decision referred to in paragraph 1, item 1, of this Article has been issued shall, within the period set in the decision, eliminate all established irregularities and submit, within eight days of the date of expiry of this period, a written report thereof to the Tax Administration of the Ministry of Finance providing proof of the eliminated irregularities.

## XII PENAL AND MINOR OFFENCE PROVISIONS

### Penal provisions

#### Article 31

(1) A fine from HRK 20,000.00 to HRK 100,000.00 shall be imposed on the persons authorised for representation of entrepreneurs for a criminal offence of misrepresentation of the balance of assets, financial position and business performance of entrepreneurs in annual financial statements with the intent to obtain financial advantage for their own or another person's account or to cause damage to someone.

(2) For the criminal offence referred to in paragraph 1 above, a fine from HRK 50,000.00 to HRK 500,000.00 shall be imposed on the entrepreneur in question.

(3) A fine from HRK 50,000.00 to HRK 500,000.00 shall be imposed on the entrepreneur whose business books contain transactions based on invalid documentation.

## Minor offence provisions

### Article 32

(1) In the case of a minor offence, a fine from HRK 10,000.00 to HRK 100,000.00 shall be imposed on the entrepreneur or the person referred to in Article 2, paragraph 3, of this Act if the person:

1. fails to keep business books (Article 4);
2. fails to prepare bookkeeping documents (Article 5);
3. fails to prepare bookkeeping documents pursuant to the provisions of this Act (Articles 5 and 6);
4. fails to check bookkeeping documents prior to entry into the business books (Article 6);
5. fails to safe keep bookkeeping documents for the periods and in the manner stipulated by the provisions of this Act (Article 7);
6. fails to keep business books pursuant to the provisions of this Act (Article 9);
7. fails to open the business books pursuant to the provisions of this Act (Article 9);
8. fails to close the business books pursuant to the provisions of this Act (Article 10);
9. fails to protect the business books kept on electronic medium pursuant to the provisions of this Act (Article 10);
10. fails to safe keep the business books for the periods and in the manner stipulated by the provisions of this Act (Article 10);
11. fails to take inventory of assets and liabilities pursuant to the provisions of this Act (Article 11);
12. fails to prepare and present annual financial statements by applying the CFRS or the International Financial Reporting Standards (Article 13);
13. fails to prepare annual financial statements (Article 15);
14. fails to prepare annual financial statements pursuant to the provisions of this Act (Article 15);

15. fails to safe keep the annual financial statements for the periods and in the manner stipulated by the provisions of this Act (Article 15);
16. fails to prepare consolidated financial statements (Article 16);
17. fails to prepare consolidated financial statements pursuant to the provisions of this Act (Article 16);
18. fails to safe keep the consolidated financial statements for the periods and in the manner stipulated by the provisions of this Act (Article 16);
19. fails to have the annual financial statements audited (Article 17);
20. fails to safe keep the auditor's report for the periods and in the manner stipulated by the provisions of this Act (Article 17);
21. fails to prepare the annual report (Article 18);
22. fails to prepare the annual report pursuant to the provisions of this Act (Article 18);
23. fails to prepare the business books and fails to produce annual financial statements and other financial information in the Croatian language and in the currency used in the Republic of Croatia (Article 19);
24. fails to submit the annual financial statements, the annual report and the auditor's report, if the entrepreneur is obliged to have the annual financial statements audited, and other documents to the Financial Agency for the purpose of publication within the periods stipulated by the provisions of this Act (Article 20);
25. uses the information obtained from the Register of Annual Financial Statements contrary to Article 24, paragraph 4, of this Act;
26. does not allow an authorised person to conduct supervision pursuant to the provisions of this Act (Article 28);
27. fails to eliminate the established irregularities and fails to inform the Ministry of Finance thereof pursuant to the provisions of this Act (Article 30);

(2) In the case of the minor offence referred to in paragraph 1 of this Article, a fine from HRK 5,000.00 to HRK 20,000.00 shall also be imposed on the responsible person at the entrepreneur's.

(3) A fine from HRK 5,000.00 to HRK 20,000.00 shall be imposed on a natural person if he/she uses the information obtained from the Register of Annual Financial Statements contrary to Article 24, paragraph 4, of this Act.

Statute of limitations

## Article 33

(1) Minor offence proceedings for the minor offences provided by this Act may not be instituted after expiry of three years from the date of gaining knowledge of completion of a minor offence.

(2) Statute of limitations shall expire in any case on expiry of six years from the completion of the minor offence in question.

(3) The course and termination of the statute of limitations in respect of institution of minor offence proceedings, and the statute of limitations in respect of enforcement of the fine for minor offence shall be governed by the Misdemeanours Act.

## XIII TRANSITIONAL AND FINAL PROVISIONS

### Procedures

#### Article 34

(1) The Committee has been set up under the Accounting Act (Official Gazette 146/05) and shall continue to work in accordance with this Act.

(2) The term of office of the Committee members appointed under the Accounting Act (Official Gazette 146/05) shall terminate as of the date of appointment of the Committee members pursuant to this Act.

(3) Pending accession of the Republic of Croatia to the European Union, the International Financial Reporting Standards shall include the International Accounting Standards (IAS), amendments thereto and related interpretations, and the International Financial Reporting Standards (IFRS), amendments thereto and related interpretations which shall be defined by the Committee and published in the Official Gazette.

(4) The Committee may entrust translation of the International Financial Reporting Standards to third parties authorised for translation by the International Accounting Standards Committee.

(5) The Committee may charge a fee for authorisation of the translation.

(6) The Register of Annual Financial Statements has been set up under the Act on Register of Annual Financial Statements (Official Gazette 47/03) and shall continue to be kept pursuant to this Act.

### Adoption of legislation

#### Article 35

(1) The Government of the Republic of Croatia shall, within two months of the date of entry into force of this Act, upon proposal of the Minister of Finance:

1. enact rules and regulations on accounting of religious communities, political parties, trade unions and other non-profit organisations on the basis of the authority referred to in Article 2,

paragraph 5, of this Act;

2. appoint the members of the Committee on the basis of the authority referred to in Article 14, paragraph 2, of this Act.

(2) The Minister of Finance shall, within two months of the date of entry into force of this Act, issue on the basis of the powers conferred on him under this Act:

1. the provisions on the structure and contents of the annual financial statements referred to in Article 15, paragraph 4, of this Act;

2. the provisions on the form and contents of the additional information referred to in Article 21, paragraph 2, of this Act;

3. the provisions on the types and levels of the fees payable to the Financial Agency for keeping of the Register of Annual Financial Statements referred to in Article 23, paragraph 8, of this Act;

4. the provisions on the method of keeping the Register of Annual Financial Statements, the method of receipt and the procedure for verification of completeness and accuracy of the annual financial statements and the annual report referred to in Article 23, paragraph 14, of this Act.

(3) The Committee shall, within two months of the date of entry into force of this Act, issue on the basis of the powers conferred on it under this Act:

1. the CFRS referred to in Article 12, paragraph 2, of this Act;

2. the Ordinance on the modus operandi referred to in Article 14, paragraph 7, of this Act.

(4) The Financial Agency shall, within two months of the date of entry into force of this Act adopt the electronic form and the format for presentation of annual financial statements on the basis of the powers referred to in Article 22, paragraph 7, of this Act.

(5) Pending entry into force of the provisions referred to in this Article, the provisions adopted under the Accounting Act (Official Gazette 146/05) and the Act on the Register of Annual Financial Statements (Official Gazette 47/03) shall continue to apply.

## Repeal

### Article 36

As of the date of entry into force of this Act, the Accounting Act (Official Gazette 146/05) and the Act on the Register of Annual Financial Statements (Official Gazette 47/03) shall cease to have effect.

## Entry into force

### Article 37

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2008, with the exception of Article 12, paragraph 4, and Article 17, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.

Class: 401-01/07-01/01

Zagreb, 5 October 2007

THE CROATIAN PARLIAMENT

The President of the Croatian Parliament

Vladimir Šeks, m.p.

