

## Amendment to the Accounting Procedures of 3 December 2009, effective from 31 December 2009 and 1 January 2010

Act No. 504/2009 Coll. of 22 October 2009 amended the Act No. 595/2003 Coll. on Income Tax as amended and on amendments and supplements to certain laws. Within the Act No. 504/2009 Coll., the Act No. 431/2002 Coll. on Accounting has also been amended.

In response to the amendment to the Act on Accounting, the Finance Ministry of the Slovak Republic adopted Decree No. MF/26312/2009-74 on 3 December 2009 amending the Accounting Procedures for Entrepreneurs Maintaining Accounts Under the System of Double Entry Bookkeeping.

The amendment to the Accounting Procedures is not extensive, but it has brought several changes and specifications regarding accounting in relation to mergers, amalgamations into separate accounting entities and demergers, as well as accounting for contributions in kind.

The amendment to the Accounting Procedures will enter into force on 1 January 2010, except for the provisions of Article 25 (1), Article 26 (1) and (2) and Article 59 (8), which will enter into force on 31 December 2009.

The most important changes are summarized below.

Merger (A + B = A), amalgamation into a separate accounting entity (A + B = C), demerger (A = B + C)			
Content	Previous legislation	New legislation	Change
<b>Accounting for a merger, amalgamation into a separate accounting entity or demerger</b>	The previous Article 26 of the Accounting Procedures only briefly regulated the accounting for a merger, amalgamation into a separate accounting entity or demerger.	The new Article 26 has not changed the method of accounting, but now includes specific details for accounting for a merger, amalgamation into a separate accounting entity or demerger.	The change makes accounting for a merger, amalgamation into a separate accounting entity or demerger more specific.
<b>Accounting for valuation differences</b>	According to Article 26 (1), in the instance of a merger, amalgamation into a separate accounting entity or demerger, the differences between the carrying value of assets and liabilities and their valuation [fair value] according to Article 27 (1) (d) of the Act on Accounting as of the date of winding-up without liquidation shall be recorded in the relevant asset and liability accounts, and/or account 015 - Goodwill may be used with a corresponding entry in account 416 - Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger. Valuation of assets and liabilities in the accounting books shall be understood as a valuation of assets and liabilities after taking depreciation/amortization and value adjustments into consideration. The procedure described in Articles 14 and 16 shall be followed with respect to securities and derivatives.	According to Article 26 (1), if an accounting entity is wound up without liquidation, as of the date preceding the decisive date, the accounting entity being wound up shall record the differences between the fair value of assets and liabilities according to Article 27 (1) (d) of the Act on Accounting and the carrying value of assets and liabilities as follows: <ol style="list-style-type: none"> <li>a) in a value adjustment account according to Article 18 if the fair value of assets is lower than the carrying value of these assets; when accounting for these differences, economic benefits from these assets in the accounting entity that will become the legal successor (successor accounting entity) shall be estimated,</li> <li>b) in a provision account according to Article 19; when accounting for provisions, the amount of the existing obligation in the successor accounting entity shall be taken into consideration,</li> <li>c) in the income statement or in account 414 - Differences from the revaluation of assets and liabilities in the instance of assets</li> </ol>	It further applies that the assets and liabilities of companies being wound up without liquidation must be valued at their fair value in the financial statements prepared as of the date preceding the decisive date.  The method of accounting for revaluation differences has not been changed, but the accounts in which these differences should be recorded have been specified.  The actual change consists of the fact that the fair value of assets and liabilities shall be assessed from the viewpoint of the successor accounting entity, rather than from the viewpoint of the accounting entity being wound up. This may lead to different value adjustments and provisions, as well as, for example, deferred taxes, than what would be presented if they were assessed from the viewpoint of the accounting entity being wound up.  <i>Effective date: The provisions of Article 26 (1) will enter into force on 31 December 2009. This means that they should be applied to the cases of merger, amalgamation into a separate accounting entity and demerger where 1 January 2010 is determined as the decisive date. The date preceding the decisive date will be 31 December 2009.</i>

Content	Previous legislation	New legislation	Change
	According to Article 27 (1) (d) of the Act on Accounting, if companies or cooperatives are being wound up without liquidation, as of the balance sheet date, the individual asset and liability items shall be valued at their market price, on the basis of a professional estimate or expert opinion; valuation in other instances shall be made according to special legislation (reference to the Act on Collective Investment).	referred to in Article 14 (securities and ownership interests) and Article 16 (derivatives), where a change in their fair value shall be accounted for because of the preparation of financial statements, d) in other cases, in account 416 – Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger; prior to the recording of a valuation difference, the value adjustment referred to in Article 18 (14) shall be reversed.  According to Article 27 (1) (d) of the Act on Accounting, if companies or cooperatives are being wound up without liquidation, as of the balance sheet date, the individual asset and liability items shall be valued at their market price, on the basis of a professional estimate or expert opinion; valuation in other instances shall be made according to special legislation (reference to the Act on Collective Investment).	
<b>Carrying value of assets</b>	According to Article 26 (1), the valuation of assets and liabilities in the accounting books shall be understood as the valuation of assets and liabilities after taking depreciation/amortization and value adjustments into consideration. The procedure described in Articles 14 and 16 shall be followed with respect to securities and derivatives.	According to Article 26 (2), the carrying value shall be understood as: <ul style="list-style-type: none"> <li>- the value of assets after taking the depreciation /amortization created as of the balance sheet date into consideration,</li> <li>- valuation under the equity method in the case of securities and ownership interests valued under the equity method as of the balance sheet date, or</li> <li>- the value of assets after taking the value adjustments created as of the balance sheet date for the preceding accounting period into consideration, and</li> <li>- provisions created as of the balance sheet date for the preceding accounting period.</li> </ul>	No changes in terms of substance have been made here, either. This provision only specifies what is understood as the carrying value for the purpose of calculating the valuation difference between the carrying value of assets and liabilities and their fair value.  It further applies that, when determining and accounting for fair value, two steps should be made: <ul style="list-style-type: none"> <li>- first, assets and liabilities should be valued as if the ordinary financial statements were prepared (i.e. as if there was no merger, amalgamation into a separate accounting entity or demerger), where all depreciation / amortization, value adjustments, provisions, accruals /deferrals, exchange rate differences, tax due and tax deferred, and so forth should be reflected, without using account 416,</li> <li>- then, the carrying value of assets and liabilities established in this manner should be compared with their fair value and the difference should be recorded in account 416. If temporary differences arise, deferred taxes should also be taken into consideration.</li> </ul> <p>The valuation of securities and ownership interests under the equity method is referred to as a specific case. The issue is that the accounting principles and accounting policies (including the equity method) hitherto used by the accounting entity being wound up should be applied in the first step. For example, if the accounting entity used the equity method for the valuation of securities and ownership interests, it should use it in the first step as well. Only in the second step should the value established under the equity method be compared with the fair value, and the difference between them should be recorded in account 416.</p> <p><i>Effective date: The provisions of Article 26 (2) will enter into force on 31 December 2009. This means that they should be applied to the cases of merger, amalgamation into a separate accounting entity and demerger where 1 January 2010 is determined as the decisive date. The date preceding the decisive date will be 31 December 2009.</i></p>

Content	Previous legislation	New legislation	Change
<b>Opening balance sheet of the successor accounting entity</b>	The previous Article 26 did not regulate the presentation of assets, liabilities, and equity in the opening balance sheet of the successor accounting entity. The successor accounting entity was also not required to prepare the opening balance sheet. This obligation was only prescribed by the amendment to the Act on Accounting of October 2009.	According to Article 26 (3), in the opening balance sheet of the successor accounting entity, assets and liabilities shall be valued according to Article 25 (1) (f) of the Act on Accounting in the legal entity being wound up or Article 25 (2) of the Act on Accounting (= at their fair value). In the instance of merger, the final balances of accounts of the successor accounting entity shall be taken over in accordance with Article 17 (6) of the Act on Accounting.	The change consists of the fact that, in the instance of merger from 1 January 2010, the successor accounting entity should prepare the opening balance sheet.  In the opening balance sheet, the successor accounting entity should take over assets and liabilities valued at their fair value from the company being wound up. In the instance of cross-border mergers, the successor accounting entity should value assets and liabilities of the foreign company being wound up at their fair value, unless the foreign company being wound up has valued them in this manner.  In the instance of a merger, the originally recorded values of assets, liabilities, and equity of the successor accounting entity should simply be transferred to the opening balance sheet of the successor accounting entity.
<b>Presentation of the balance of account 416 – Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger in the opening balance sheet of the successor accounting entity</b>	According to Article 26 (2), in the opening balance sheets of companies and cooperatives resulting from amalgamation into a separate accounting entity or demerger and in the accounting books of the legal successor in the event of a merger, the balance of account 416 - Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity and demerger shall be recorded in account group 41 – Share capital and capital funds and account group 42 – Funds created from profit and transferred net profit/net loss in accordance with the agreement on amalgamation into a separate accounting entity, the agreement on demerger, or the agreement on merger.	According to Article 26 (4), in the opening balance sheet of the successor accounting entity, the balance of account 416 – Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity and demerger established according to paragraph 1 (d) shall be recorded in accounts of account group 41 – Share capital and capital funds and account group 42 – Funds created from profit and transferred net profit/net loss in accordance with the agreement on merger, amalgamation into a separate accounting entity or demerger.	The participants are still free to decide how to handle account 416. It is their decision how this will be stipulated in the agreement on merger, amalgamation into a separate accounting entity or demerger.  This is not a change in terms of substance, but the original provisions of Article 26 (2) have been made more specific.  This provision shall only be applied in the event of such mergers, amalgamations into a separate accounting entity and demergers where the accounting entity participating in the merger, amalgamation into a separate accounting entity or demerger does not hold an ownership interest in the other participating accounting entity.  If the accounting entity participating in the merger, amalgamation into a separate accounting entity or demerger holds an ownership interest in the other participating accounting entity, the provisions of Article 26 (6) should be applied (see below). This involves, for example, cases where a subsidiary merges into its parent company or, the other way around, the parent company merges into its subsidiary.
<b>Method of accounting for a valuation difference in account 416</b>	In the accounting books of the accounting entity being wound up, account 416 – Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity and demerger shall be used in accordance with Article 26 (Article 59 (8)).	The provisions of Article 59 (8) have been supplemented by the provision that the difference between the fair value and the carrying value according to Article 26 (1) (d) shall be recorded in the relevant asset or liability account with a corresponding entry in account 416 – Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity and demerger.	This is a change in terms of substance. It has been added that the recalculation of the carrying value to the fair value should be recorded in the relevant asset account with a corresponding entry in account 416. In the financial statements prepared as of the date preceding the decisive date, this difference should be presented in the "gross" column.  The question of whether this difference should be presented in the "gross" or "correction" column or both was not previously regulated. It was treated in various ways in practice, but the essence was that the amount presented in the "net" column represented the fair value.  Following the amendment, this difference will be presented in the "gross" column. Fair value will further be presented in the "net" column.

Content	Previous legislation	New legislation	Change
			<i>Effective date: The provisions of Article 59 (8) will enter into force on 31 December 2009. This means that they should be applied to the cases of merger, amalgamation into a separate accounting entity and demerger where 1 January 2010 is determined as the decisive date. The date preceding the decisive date will be 31 December 2009.</i>
<b>Offsetting of mutual receivables and liabilities in the opening balance sheet of the successor accounting entity</b>	According to Article 26 (3), in the event of amalgamation of companies or cooperatives into a separate accounting entity, their mutual receivables and liabilities shall be offset in the opening balance sheet; in the event of a merger, mutual receivables and liabilities shall be offset in the accounting books of the accounting entity that is a legal successor. Account 428 - Retained earnings from previous years and account 429 - Accumulated losses from previous years in the opening balance sheet shall be adjusted by differences arising from the offsetting of mutual receivables and liabilities in the event of amalgamation into a separate accounting entity. In the event of a merger, these differences shall be recorded in the relevant expense or income account in the accounting books of the accounting entity that is a legal successor.	According to Article 26 (5), in the opening balance sheet of the successor accounting entity, differences arising from the offsetting of mutual receivables and liabilities, including provisions and accrual/deferral accounts, between the accounting entities participating in the amalgamation into a separate accounting entity and demerger shall be recorded in account 428 – Retained earnings from previous years or in account 429 – Accumulated losses from previous years.  In the instance of merger, mutual receivables and liabilities, including provisions and accrual/deferral accounts, between the accounting entities participating in the merger shall be offset after the merger, and possible differences shall be recorded in the relevant expense or income accounts in the accounting books of the successor accounting entity.	This is not a change in terms of substance, but it is only specified that in the event of a merger, amalgamation into a separate accounting entity and demerger, mutual receivables and liabilities of the participating accounting entities, including provisions and accruals/deferrals, should be offset.
<b>Takeover of assets, liabilities and equity of the company being wound up in the opening balance sheet of the successor accounting entity</b>	The provisions on the takeover of assets, liabilities and equity of the company being wound up by the successor company are related to the relevant provisions of Article 69 and Article 69a of the Commercial Code, according to which share capital of companies being wound up shall be transferred to the successor company.  Consequently, many accounting entities (incorrectly) concluded that the successor accounting entity must take over equity of the companies being wound up into its accounting books.  It must be stressed that equity is taken over only if a participating company does not hold an ownership interest in the other participating company. However, if it holds an ownership interest, equity of the company being wound up attributable to this ownership interest cannot be taken over, because, at the moment of the merger, it will be offset against this ownership interest (for more details, see, for example: Farkaš, R. Kombinácie podnikov. Účtovné aspekty. Zlúčenie, splynutie, rozdelenie, kúpa a vklad podniku alebo jeho časti. [Combinations of companies. Accounting aspects. Merger, amalgamation into a separate accounting entity, demerger, purchase and contribution of a business or part thereof.] – Bratislava, IURA Edition 2008).  There is an exception for cases where own shares and ownership interests are established.  The previous Article 26 did not regulate this explicitly, but the relevant provisions were contained in Article 37 (11) of the Accounting Procedures (accounting for goodwill).	According to Article 26 (6), assets, liabilities and equity of the individual accounting entities participating in a merger, amalgamation into a separate accounting entity and demerger shall be presented in the opening balance sheet of the successor accounting entity if a participating accounting entity does not hold an ownership interest in the other participating accounting entity.  If the participating accounting entity holds an ownership interest in the other participating accounting entity, amounts in the opening balance sheet of the successor accounting entity shall be presented after offsetting the ownership interests recorded in accounts of account group 06 – Non-current financial assets and the amount of equity attributable to these ownership interests. The amount of goodwill or negative goodwill shall be presented in accordance with Article 37 (8) to (11).	This is not a change in terms of substance, but only the specification that assets, liabilities and equity of the accounting entities participating in a merger, amalgamation into a separate accounting entity and demerger shall be presented in the opening balance sheet of the successor accounting entity if a participating accounting entity does not hold an ownership interest in the other participating accounting entity.  If the participating accounting entity holds an ownership interest in the other participating accounting entity, the opening balance sheet should be prepared in such a way as to reflect the offsetting of this ownership interest against equity attributable to this ownership interest.  It has been specified that goodwill or negative goodwill should be presented in accordance with Article 37 (8) to (11). This provision should be read in conjunction with the provisions of Article 37 (12) (see below).

Content	Previous legislation	New legislation	Change
<b>Goodwill</b>	<p>Accounting for and presenting of goodwill/negative goodwill in the instances of a merger, amalgamation into a separate accounting entity or demerger was regulated by Article 37 (8), (9) and (11). General provisions on accounting for goodwill were contained in Article 37 (12) to (14).</p> <p>Article 37 (8) (b) stipulates that account 015 – Goodwill shall be used to account for goodwill acquired, for example, through demerger, amalgamation into a separate accounting entity, or merger of companies or cooperatives.</p> <p>According to Article 37 (9), the difference between the acquisition cost and the acquirer's interest in the fair value of the identifiable assets and liabilities acquired on the date of acquisition is either goodwill or negative goodwill and shall be accounted for in account 015 - Goodwill.</p> <p>According to Article 37 (11), goodwill shall be recognized in the instance of a merger, amalgamation into a separate accounting entity and demerger if the carrying value of a participating company's interest in the other participating company exceeds the fair value of assets and liabilities attributable to this interest; the carrying value of the interest in the instance of amalgamation into a separate accounting entity and demerger shall be understood as its fair value.</p> <p>When accounting for goodwill, it shall be ascertained in what amount economic benefits will be increased in connection with goodwill and in what amount economic benefits will be reduced in connection with negative goodwill in the future.</p>	<p>The amendment to the Accounting Procedures preserves the definitions of goodwill referred to in Article 37 (8), (9) and (11) and further specifies accounting for and presenting negative goodwill in Article 37 (12) to (14).</p> <p>According to Article 37 (12), the successor accounting entity shall account for goodwill or negative goodwill presented in the opening balance sheet according to Article 26, adjusted by the amount:</p> <ol style="list-style-type: none"> <li>of the identifiable non-current intangible assets that can be reliably valued and have been generated internally by the legal entity being wound up until the acquisition of an ownership interest in the accounting entity being wound up, except for merger according to Article 26 (7), which shall be recorded in non-current intangible asset accounts in the accounting books of the successor accounting entity,</li> <li>of retained earnings or accumulated losses recorded in equity accounts, attributable to the participating accounting entity from the acquisition of the relevant ownership interest in the participating accounting entity,</li> <li>recorded in account 414 – Differences from revaluation of assets and liabilities, created with respect to the ownership interest that ceased to exist in the participating accounting entity,</li> <li>of amortization of goodwill or negative goodwill based on the amount of an increase in economic benefits in connection with goodwill and a reduction of economic benefits in connection with negative goodwill according to paragraph 11.</li> </ol>	<p>What remains unchanged following the amendment is that goodwill or negative goodwill can be accounted for only if a participating company holds an ownership interest in the other participating company. Otherwise, goodwill or negative goodwill is not established and cannot be accounted for.</p> <p>The change consists of the fact that, according to the previous Accounting Procedures, goodwill or negative goodwill was calculated in the first step, that is, at the moment of a merger, on the basis of the amount of an ownership interest held by a participating company in the other participating company and the amount of equity of that other participating company attributable to this ownership interest on the date of the merger. This was followed by the second step, where an increase in or reduction of economic benefits in connection with goodwill or negative goodwill was assessed. However, according to the new Accounting Procedures, the adjustment of goodwill or negative goodwill established in the first step has been inserted after the first step (this first step should be made in the opening balance sheet).</p> <p>This adjustment of goodwill or negative goodwill is intended to move the establishment of goodwill closer to the moment of acquisition of ownership interests by the participating company in the other participating company and thus move the calculation of goodwill or negative goodwill from the date of the merger to the moment of acquisition of the ownership interests, that is, to the past. This is why goodwill or negative goodwill established in the first step should be adjusted by changes in the carrying value of the ownership interests and the carrying value of equity, which occurred between the moment of acquisition of the ownership interests and the date of the merger. In addition, intangible assets generated by the accounting entity being wound up until the moment of acquisition of the ownership interests should be calculated; an exception is that, if a parent company merges into its subsidiary (reference to Article 26 (7)), intangible assets should be (correctly) established only with respect to the subsidiary, but not the parent company. In other words, the successor accounting entity cannot present non-current intangible assets generated by the accounting entity being wound up if the successor accounting entity did not hold an ownership interest in the accounting entity being wound up.</p> <p>An increase in or a reduction of economic benefits in connection with goodwill or negative goodwill should be assessed only then.</p>
<b>Internally generated goodwill</b>	<p>According to Article 37 (12), internally generated goodwill cannot be capitalized.</p>	<p>According to Article 37 (14), internally generated goodwill cannot be capitalized.</p>	<p>It further applies that internally generated goodwill cannot be capitalized.</p>
<b>Goodwill - amortization</b>	<p>Article 37 (13) stipulates that amortization of goodwill shall be debited to account 551 - Amortization and depreciation.</p> <p>According to Article 37 (14), write off of negative goodwill shall be credited to account 551 - Amortization and depreciation.</p>	<p>According to Article 37 (13), the amount of negative goodwill, adjusted in accordance with paragraph 12, shall be debited to account 075 – Accumulated amortization of goodwill with a corresponding credit entry in account 551 – Amortization and depreciation. The amount of goodwill shall be amortized by means of a debit entry in account 551 – Amortization and depreciation with a corresponding credit entry in account 075 – Accumulated amortization of goodwill, based on a justified assumption that economic benefits will be increased in connection with goodwill.</p>	<p>Paragraph 13 regulates the amortization of goodwill in connection with Article 28 of the Act on Accounting, with goodwill being amortized over the period during which it brings economic benefits (the limit of 5 years was repealed by the amendment to the Act on Accounting in October 2009).</p> <p>An important change is that negative goodwill shall be written off against profit/loss in the accounting period in which it was established (calculated). This means that the possibility of amortizing negative goodwill over a period of a maximum of 5 years has been repealed.</p>

Content	Previous legislation	New legislation	Change
			According to the transitional provisions (Article 86g (2)), when accounting for goodwill or negative goodwill established (= calculated, presented) until 31 December 2009, the Decree in the wording effective until 31 December 2009 should be followed. This means that the new provisions on accounting for goodwill or negative goodwill apply to goodwill or negative goodwill established on 1 January 2010 or later.
<b>Own shares and ownership interests in the event of a merger</b>	<p>Not explicitly regulated; the procedure indirectly arises from Article 37 (11).</p> <p>In the event of a merger, own shares or ownership interests may or may not be established. If they are established, this complicates not only the legal situation, but also the assessment of the merger from the viewpoint of accounting and taxation. Therefore, mergers tend to be carried out in practice in such a way that own shares or ownership interests are not established.</p> <p>In spite of this, Accounting Procedures should also regulate a situation where own shares and ownership interests are established.</p>	<p>According to Article 26 (7), if own shares or ownership interests are established according to Article 120 (3) of the Commercial Code (a controlled entity acquires an ownership interest in the entity that controls it if it assumes, in its capacity as legal successor, all rights and obligations of the entity that owned this ownership interest), the following shall be presented in the opening balance sheet in the event of a merger:</p> <ol style="list-style-type: none"> <li>assets, liabilities and equity of the successor accounting entity,</li> <li>assets, liabilities and equity of the legal entity being wound up, including own shares and ownership interests (note: own shares and ownership interests shall be presented as part of equity with a negative sign),</li> <li>goodwill or negative goodwill, whose amount shall be calculated as the difference between the amount of the financial investment representing an ownership interest in the successor accounting entity and the amount of equity of the successor accounting entity attributable to this ownership interest,</li> <li>the amount of goodwill or negative goodwill in account 428 - Retained earnings from previous years or account 429 - Accumulated losses from previous years.</li> </ol>	<p>The provisions of Article 26 (7) specify the method of accounting in the case where a parent company merges into its subsidiary, with the subsidiary being the successor accounting entity, and this entity acquires shares or ownership interests held by the parent company in the subsidiary that is the successor company (i.e. own shares or ownership interests).</p> <p>Since it is not possible to ignore the fact that own shares or ownership interests have been established and, following the merger, they are presented as part of equity (with a negative sign), not only equity of the parent company, but also equity of the subsidiary should be included in equity after the merger. The difference between the carrying value of the financial investment representing an ownership interest in the successor accounting entity and the amount of equity of the successor accounting entity attributable to this ownership interest represents goodwill or negative goodwill, which shall be recorded in the opening balance sheet with a corresponding entry in the account of retained earnings or accumulated losses.</p> <p>Goodwill or negative goodwill should subsequently be adjusted in accordance with Article 37 (12) to (14), see above.</p>
<b>Cancellation of own shares or ownership interests in the successor accounting entity</b>	<p>Not regulated.</p> <p>In general, the difference between the carrying value of own shares or ownership interests (the carrying value is represented by the acquisition cost reduced by a possible value adjustment) and the nominal value of share capital representing these own shares or ownership interests can be cancelled</p> <ul style="list-style-type: none"> <li>- through profit/loss, that is, as an expense or income, or</li> <li>- against retained earnings/accumulated losses, or against another equity item (except for profit/loss for the current accounting period).</li> </ul>	<p>According to Article 26 (9), the successor accounting entity, which presented own shares or ownership interests in the opening balance sheet and accounts for the cancellation of own shares or ownership interests due to a reduction of share capital, shall record the difference between the carrying value of own shares or ownership interests and the nominal value of the reduced share capital, depending on its nature, in account 428 – Retained earnings from previous years or account 429 – Accumulated losses from previous years.</p>	<p>The provisions of Article 26 (9) regulate accounting for the difference between the carrying value of own shares or ownership interests and the nominal value of the reduced share capital in the cases where, in the event of a merger, the successor accounting entity acquired own shares or ownership interests and these shares and ownership interests were later cancelled.</p> <p>It is stipulated that this difference should be recorded against equity in account 428 or 429.</p>
<b>Assets and liabilities taken over from a foreign accounting entity being wound up into the opening balance sheet of the successor accounting entity</b>	Not regulated.	<p>According to Article 26 (8), in the opening balance sheet of the successor accounting entity, assets and liabilities taken over from a foreign legal entity, valued according to Article 25 (2) of the Act on Accounting (i.e. at their fair value), shall be presented after being translated according to Article 24 (2) (c) of the Act on Accounting (i.e. according to the foreign exchange reference rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the date that is the decisive date as of which assets and liabilities are taken over from a foreign legal entity).</p>	<p>If a foreign legal entity being wound up has valued its assets and liabilities at their fair value, but in a currency other than the euro, the successor accounting entity should translate these assets and liabilities to euros according to the foreign exchange reference rate of the ECB or the NBS on the date that is the decisive date and should present them in its opening balance sheet in this way.</p> <p>If it has not valued them at their fair value, this situation is addressed by the amendment to the Act on Accounting of October 2009.</p>

## Accounting for contributions in kind

A new Article 27a regulating the method of accounting for a contribution in kind according to Article 59 of the Commercial Code has been added to the Accounting Procedures. The method of accounting was previously regulated only indirectly, for example, in Article 59 (8), Article 54 (5), and Article 37 (10). These provisions have been partially amended and their content has been transferred to Article 27a, which summarizes accounting for contributions in kind. The provisions of Article 27a separately regulate a contribution in kind represented by a business or part thereof and a contribution in kind represented by the individual asset items.

Contribution of a business/part thereof			
Content	Previous legislation	New legislation	Change
<b>Contribution in kind of a business / part thereof (hereafter referred to as a contribution of a business) - receiver of the contribution</b>	This was not explicitly regulated by the Accounting Procedures. According to Article 25 (1) (e) (1) of the Act on Accounting, assets and liabilities acquired as a result of a contribution of a business or part thereof shall be valued at their fair value in accordance with Article 27 (1) of the Act on Accounting.	According to Article 27a (1), in the event of a contribution of a business, the receiver of the contribution shall record the individual asset and liability items received, which form the contribution of the business, in the relevant accounts based on valuation according to Article 27 (2) of the Act on Accounting. The receiver of the contribution of a business shall record the identifiable non-current intangible assets that can be reliably valued and have been internally generated by the contributor in the relevant non-current intangible asset account.	This is not a change in terms of substance, but only a specification of the existing regulations. The provisions of Article 27a (1) specify that the receiver of a contribution should value the individual asset and liabilities items forming the contribution of a business with their fair value in accordance with Article 27 (2) of the Act on Accounting. At the same time, it is stipulated that, non-current intangible assets that were not (or could not be) presented in the balance sheet of the contributor should be presented in the balance sheet of the receiver of the contribution, provided that these assets can be identified and reliably valued.
<b>Goodwill in the instance of a contribution of a business - receiver of the contribution</b>	Accounting for goodwill in the instance of a contribution of a business was regulated by Article 37 (8) and (10). According to Article 37 (8) (a), account 015 – Goodwill shall be used to account for goodwill acquired, for example, through purchase, exchange, or contribution of a business or part thereof. According to Article 37 (10), goodwill shall be recognized in the instance of purchase of or a contribution of a business or part thereof if the purchase price or the agreed amount of the contribution exceeds the fair value of the individual asset and liability items at which these assets and liabilities are recognized by the buyer or the receiver of the contribution. Negative goodwill shall be credited to account 015 - Goodwill. (...)	According to Article 27a (2), the receiver of a contribution shall record the difference between the fair value of the individual asset and liability items forming a contribution of a business and the agreed amount of the contribution, depending on their nature, as goodwill or negative goodwill in account 015 – Goodwill.	This is not a change in terms of substance; the content of the provisions of Article 37 (10) has been incorporated into the provisions of Article 27a.
<b>Contribution of a business – accounting by the contributor</b>	Accounting for liabilities for unpaid subscribed securities and contributions is regulated by Article 54 (5): Account 367 - Liabilities for unpaid subscribed securities and contributions shall be used to account for liabilities of an accounting entity in its capacity as shareholder or partner in another company or member of a cooperative, which relate to received securities and ownership interests that have not yet been paid.	According to Article 27a (3), the contributor of a business shall remove the individual asset and liability items valued at their carrying value from the accounting books with a corresponding entry in account 367 – Liabilities for unpaid subscribed securities and contributions. The agreed amount of the contribution shall be recorded in the relevant account of account group 06 – Non-current financial assets with a corresponding credit entry in account 367 – Liabilities for unpaid subscribed securities and contributions.	This is not a change in terms of substance; the content of the provisions of Article 54 (5) has been incorporated into the provisions of Article 27a.
<b>Difference between the acknowledged amount of a contribution and the carrying value of the individual asset and liability items - contributor</b>	According to Article 59 (8), account 415 - Investment revaluation reserves shall be used to account for the positive or negative difference between the acknowledged amount and the carrying value of the contribution in the company or cooperative. The balance of account 415 shall be recorded in account 568 – Other financial expenses and account 668 – Other financial income in the instance of sale or other decrease in the relevant securities and ownership interests.	According to Article 27a (3), the difference between the acknowledged amount and the carrying value of the individual contributed asset and liability items shall be debited to account 568 - Other financial expenses or credited to account 668 - Other financial income, depending on their nature.	The amendment to the Accounting Procedures has repealed the provisions of Article 59 (8) and introduced a new Article 27a (3). This is a change in terms of substance. According to Article 27a (3), the contributor should account for the difference between the acknowledged amount and the carrying value of a contribution with an impact on profit/loss at the time the contribution is made (accounts 568 and 668). Prior to the amendment, this difference was accounted for without an impact on profit/loss against the contributor's equity via account 415. Only the release of the balance of account 415 in the instance of a decrease in securities and ownership interests was accounted for with an impact on profit/loss (accounts 568 and 668).

Content	Previous legislation	New legislation	Change
			According to the transitional provisions (Article 86g (1)), the release of the valuation difference according to the provisions of Article 59 (8) in the wording effective until 31 December 2009 should be recorded in account 415 – Investment revaluation reserves.
<b>Increase or decrease in the value of a security and ownership interest when share capital of a company is increased from equity or when share capital is decreased</b>	According to Article 59 (8), account 415 – Investment revaluation reserves shall also be used by a shareholder/partner to account for an increase or decrease in the value of a security and ownership interest when share capital of a company or cooperative is increased from equity or when share capital is decreased.	The amendment to the Accounting Procedures repeals the provisions of Article 59 (8).	This is a change in terms of substance. A shareholder/partner will not account for a valuation difference when share capital of a company is increased from equity (for example, from retained earnings), because this increase in share capital has no impact on the amount of an account of account group 06 – Non-current financial assets.

## Contribution in kind of individual asset items

Content	Previous legislation	New legislation	Change
<b>Contribution in kind of individual asset items - contributor</b>	Accounting for liabilities for unpaid subscribed securities and contributions is regulated by Article 54 (5):  Account 367 - Liabilities for unpaid subscribed securities and contributions shall be used to account for liabilities of an accounting entity in its capacity as shareholder or partner in another company or member of a cooperative, which relate to received securities and ownership interests that have not yet been paid.	According to Article 27a (4), the contributor of a contribution in kind consisting of individual asset items shall remove assets valued at their carrying value from the accounting books with a corresponding entry in account 367 – Liabilities for unpaid subscribed securities and contributions. The agreed amount of the contribution shall be recorded in the relevant account of account group 06 – Non-current financial assets with a corresponding credit entry in account 367 – Liabilities for unpaid subscribed securities and contributions.	This is not a change in terms of substance; the content of the provisions of Article 54 (5) has been incorporated into the provisions of Article 27a.
<b>Difference between the acknowledged amount of a contribution and the carrying value of the contributed assets - contributor</b>	According to Article 59 (8), the positive or negative difference between the acknowledged amount and the carrying value of a contribution shall be recorded in account 415 - Investment revaluation reserves at the time the contribution is made in a company or cooperative.  The balance of account 415 shall be recorded in account 568 – Other financial expenses and account 668 – Other financial income in the instance of sale or other decrease in the relevant securities and ownership interests.	According to Article 27a (4), the difference between the acknowledged amount and the carrying value of the contributed assets shall be debited to account 568 - Other financial expenses or credited to account 668 - Other financial income, depending on their nature.	The amendment to the Accounting Procedures has repealed the provisions of Article 59 (8) and introduced a new Article 27a (4).  This is a change in terms of substance. According to Article 27a (4), the contributor should account for the difference between the acknowledged amount of a contribution and the carrying value of the contributed assets with an impact on profit/loss at the time the contribution is made (accounts 568 and 668).  Prior to the amendment, this difference was accounted for without an impact on profit/loss against the contributor's equity via account 415. Only the release of the balance of account 415 in the instance of a decrease in securities and ownership interests was accounted for with an impact on profit/loss (accounts 568 and 668).  According to the transitional provisions (Article 86g (1)), the release of the valuation difference according to the provisions of Article 59 (8) in the wording effective until 31 December 2009 should be recorded in account 415 – Investment revaluation reserves.
<b>Contribution in kind of individual asset items - receiver of the contribution in kind</b>	Not explicitly regulated.	According to Article 27a (5), the receiver of a contribution in kind consisting of individual asset items shall record assets in the acknowledged amount of the contribution in the individual relevant asset accounts.	This is not a change in terms of substance; accounting by the receiver of a contribution consisting of individual asset items has been made more specific.

Other changes			
Content	Previous legislation	New legislation	Change
<b>Removal of incorporation expenses from non-current intangible assets - Article 25 (1)</b>	The opening balance sheet prepared as of the date of registration of a joint stock company in the Commercial Register shall contain contributions paid, a receivable for the amount of unpaid contributions, incorporation expenses, share capital registered in the Commercial Register, share premium, reserve fund, and other information contained in documents related to the establishment and incorporation of the joint stock company.	The opening balance sheet prepared as of the date of registration of a joint stock company in the Commercial Register shall contain contributions paid, receivable for the amount of unpaid contributions, share capital registered in the Commercial Register, share premium, reserve fund, and other information contained in documents related to the establishment and incorporation of the joint stock company.	This change is related to the amendment to Act on Accounting No. 61/2009 Coll. of 1 March 2009, which has repealed incorporation expenses as non-current intangible assets. Consequently, incorporation expenses should be removed from the opening balance sheet of a newly established company.  <i>Effective date: The provisions of Article 25 (1) will enter into force on 31 December 2009.</i>
<b>Accounting for VAT in the event of change in the purpose of use of an asset and cancellation of registration of a VAT payer</b>	According to Article 52 (8), the difference between proportionally deducted VAT in the individual taxation periods and proportionally deducted VAT calculated after the end of the accounting period shall be credited or debited, depending on its nature, to account 343 - Value added tax with a corresponding debit entry in account 548 - Other operating expenses or credit entry in account 648 - Other operating income.	Article 52 (8) has been supplemented to the effect that in the event of change in the purpose of use of an asset according to Article 54 of Act No. 222/2004 Coll. on Value Added Tax, VAT shall be debited or credited, depending on its nature, to account 343 - Value added tax with a corresponding debit entry in account 548 - Other operating expenses or credit entry in account 648 - Other operating income. If registration for the purpose of VAT is cancelled according to Article 81 of Act No. 222/2004 Coll. on Value Added Tax, VAT shall be debited to account 548 - Other operating expenses.	Accounting for VAT in the event of change in the purpose of use of non-current assets and cancellation of registration of a VAT payer according to the relevant provisions of the Act on VAT is regulated. VAT that must be subsequently paid or the establishment of an entitlement to deduction should be accounted for with an impact on profit/loss.

### Abbreviations:

ECB – European Central Bank  
NBS – National Bank of Slovakia  
VAT – Value added tax

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Newsflash, 12. 1. 2010