

Accounting and reporting

Obligation to maintain accounting records

All entities established in the Russian Federation are obliged to maintain accounting records in accordance with the Federal Law on Accounting.

Chart of accounts

All entities apply the predefined chart of accounts.

Based on the predefined chart of accounts, an entity approves its operating chart of accounts with a listing of all control and analytical accounts (including sub-accounts) required for accounting purposes.



An entity may adjust, exclude, combine, and add sub-accounts depending on its management needs, including analysis, supervision and reporting needs.

The standardised chart of accounts is accompanied by mandatory instructions for use. The instructions contain guidance on correspondence of accounts.

Accounting and bookkeeping

The head of an entity should entrust a chief accountant or another officer with the responsibility to maintain accounting records or enter into an accounting outsourcing contract. The head of an SME or a non-profit organisation may choose to be responsible for accounting and bookkeeping.

Accounting and bookkeeping in Russia are subject to special regulations, standards and guidelines. Journal entries are made in accordance with clear-cut rules that cannot be changed. Regulations and standards prescribe both how to prepare financial statements, and how to maintain accounting records and make entries.

Financial reporting

Annual financial statements are prepared for each reporting year.

A reporting year is a period of time lasting one calendar year — from 1 January to 31 December — unless the reporting entity was established, reorganised or liquidated.

Interim financial statements cover a period of less than one year (if required by law and/or incorporation documents, contracts or owners).

Financial statements are prepared in Russian roubles. All foreign currency items are translated into Russian roubles.

Financial statements are prepared in Russian.

Reporting entities prepare prescribed statements, which are accompanied by notes in a tabular or textual format. There is no prescribed format for notes. An entity may choose how to arrange notes so that they contain all material items and mandatory disclosures.

Annual financial statements are filed electronically with relevant tax authorities within three months after the end of the reporting year. Resubmission is possible.

Supporting documents

Each transaction should be supported by a source document. There are strict requirements to accounting source documents (accurate and relevant format). Invoice is not deemed to be a source document, it is considered to be a payment request only. The majority of transactions should be supported by specific source documents prescribed by law. Source documents include documents that confirm that a payment has been made (receipts, bank transfer orders, bills/invoices), goods have been received (delivery notes, bills of sale, customs cargo declarations) or works/services have been provided (acceptance certificates). A contract is also an important accounting source document that confirms that a transaction has taken place. It is important to prepare a correct VAT invoice (a document stating value-added tax for a specific transaction) to assess value-added tax.

Majority of documents are to be executed with wet signatures and stamps unless official e-document system is established between entity and its counterparties.

Principal source documents, which are required to back up transactions, are shown in the table below.

<i>Transaction</i>	<i>Source documents</i>
Payment for goods using a bank account	A delivery note, a VAT invoice, a contract
Payment for goods by cash	A receipt, a bill of sale, an expense report
Services, works	An acceptance certificate, a VAT invoice, a contract
Representative expenses	Receipts, acceptance certificates, cost estimates, a report on the respective event indicating its objective, schedule, attendees and results, an expense report
Fuel expenses	A motor vehicle trip ticket, a receipt, an expense report
Employee remuneration	A payroll register
Movement of materials between warehouses	A requisition form

Business travel	A business trip order, an air/railway ticket, boarding passes, a receipt from a hotel, a bill from a hotel, an expense report
Taxi	A receipt or a slip, a contract (for regular use)
Mobile communication	A contract with a mobile network operator, an invoice breakdown, an acceptance certificate, an order on the provision of a business SIM card
Advertising expenses	An advertising production, placement and dissemination contract, drafts, layouts, placement schedules, acceptance certificates/progress reports

Accrual accounting

Entities use the accrual basis of accounting to record and report revenues and expenses, which means that transactions are recorded when they occur, regardless of the actual cash receipt or payment.

Date of accrual

The date of accrual is the date when the ownership of goods/work results/deliverables is transferred (the date of shipment, the date of a delivery note/an acceptance certificate). This date may be different from the payment date (the bill/invoice date) if the respective contract provides for deferred/advance payment, postpayment or payment by instalments.

The same is true for salaries, depreciation, taxes, interest accrual etc. Salaries, depreciation, taxes and interest are accrued when they occur, rather than when they are paid. Salaries are accrued for the current month on the last day of the month; depreciation is accrued on the last day of the month; taxes for the current month/quarter are accrued on the last day of the month/quarter, interest for the current month is accrued on the last day of the month etc.

Foreign currency control

Transactions with foreign entities are subject to special procedures of foreign

currency control. All documents must be in place on time. Payment will not get through if documents are not provided to the bank. Significant penalties might follow if foreign currency regulations are not met.

Stocktaking

Items of financial statements should be verified at year-end by stocktaking. Stocktaking verifies the existence of assets and liabilities and reconciles them against accounting books. The physical existence of assets is checked by counting, weighing, and measuring.

Tax accounting

Apart from accounting records, entities should maintain tax records, i.e. account for income and expenses, taxable items and other indicators for tax purposes. This is a requirement of the Russian Tax Code.

Income/expense and asset/liability recognition criteria may differ for financial and tax accounting purposes. Therefore, there may be differences between financial statements and tax assessments/returns. For example, profit, income tax, fixed assets, depreciation and provisions may differ. Tax records are based on accounting ledgers with the addition of indicators required to assess taxes and the registration of identified differences.

Statutory audit

Limited liability companies are subject to statutory audit if their business income for the previous year exceeds 800 million roubles or if assets in their balance sheet as of the end of the previous year exceed 400 million roubles.

Document retention

Accounting source documents, accounting ledgers, financial statements and independent auditor's reports should be retained for at least five years after the reporting year. Accounting policies, internal standards, and other accounting regulations should be retained for at least five years after the year when they are used for the last time.

Certain types of documents might be required to be retained during up to 50 years.

Statistical reporting

The types of statistical reports depend on the entity's business, headcount and existence/absence of certain events. An entity may generate the list of reports on the website of the Federal State Statistics Service. The list of reports is updated [on a monthly basis](#).



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