# ACCOUNTING ACT

## Act No. 563/1991 Coll. on Accountancy,

as amended by Acts No. 117/1994 Coll., No. 227/1997 Coll., No. 492/2000 Coll., No. 353/2001 Coll., No. 575/2002 Coll., No. 437/2003 Coll., No. 669/2004 Coll., No. 495/2005 Coll., No. 179/2005 Coll., 81/2006 Coll., No. 57/2006 Coll., No. 230/2006 Coll., No. 264/2006 Coll. and No. 69/2007 Coll.

## PART ONE
## GENERAL PROVISIONS

### Section 1
### Scope of the Act

(1) This Act prescribes the scope and manner of keeping accounting and the requirements for its conclusiveness in accordance with the European Communities'[1] legislation.

(2) This Act shall apply to:

(a) Iegal entities which have their seat in the Czech Republic;

(b) foreign persons carrying on business activity, or some other activity pursuant to other statutory provisions, in the Czech Republic;

(c) organizational components of the state pursuant to other statutory provisions;

(d) natural persons who are entered as entrepreneurs in the Commercial Register;

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[1] Fourth Council Directive of 25 July 1978 on the annual accounts of certain types of companies (78/660/EEC, as amended); Seventh Council Directive of 13 June 1983 on consolidated accounts (83/349/1983, as amended); Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (of 19 July 2002) on the application of international accounting standards

(e) other individuals who are entrepreneurs and whose turnover pursuant to the Value Added Tax Act[1a], including taxable supplies exempt from the value added tax, exceeded the amount of CZK 15 million for the immediately preceding calendar year, as of the first day of the calendar year;

(f) other individuals who keep accounting on the basis of their own decision;

(g) other individuals who are entrepreneurs and are participants in an association which is not a Iegal entity pursuant to other statutory, provisions[1b] if at Ieast one of the association's participants is a person referred to in (a) to (f) or (h); or

(h) other individuals whose duty to keep accounting is imposed on them by other statutory provisions;

hereafter referred to as "accounting units".

## Section 2
## Object of Accounting

Accounting units shall account for the position of, and movements in, their property and other assets, commitments and other Iiabilities as well as costs and revenues, and their business result.

## Section 3
## Accounting Period

(1) Accounting units shall apply double-entry accounting to record events which are the object of accounting within the period to which these events relate, taking into consideration their nature and timing (hereafter referred to as "accounting period"); if this principle cannot be observed, the accounting units may record these events when they become aware of them.

[1a] section 6 par. 2 of the act no. 235/2004 Coll., Value Added Tax
[1b] section 829 et seq of the Civil Code

In an accounting period, accounting units shall record individual events transactions in accordance with the accounting procedures [section 4(8)]; they shall record all costs and revenues, irrespective of the time of their payment or receipt.

(2) An accounting period shall be twelve successive months, unless it is provided for otherwise. An accounting period shall either correspond to a calendar year or an economic year. An economic year shall be an accounting period which may only commence on the first day of a month other than January. An accounting period immediately preceding a change in the accounting period may be shorter or Ionger than the stated twelve months. When an accounting unit is formed in the three months immediately preceding the end of a calendar year, or when an accounting unit is dissolved in the three months after the end of a calendar year or an economic year, the accounting period may be extended by the relevant period of time (i.e. be Ionger than twelve months). In the case of conversion of a company, partnership or co-operative (hereafter "company conversion"), except for a mere change in its Iegal form, the accounting period shall commence as of the decisive day determined pursuant to other statutory provisions and terminate on the Iast day of the accounting period in which the relevant facts on conversion are entered (registered) in the Commercial Register, if this concerns the successor accounting unit. In the case of participating accounting units (entities), the accounting period shall terminate on the day which precedes the decisive day determined pursuant to other statutory provisions.

(3) Accounting units, other than organizational components of the state, self-governing territorial units and accounting units having been formed or established pursuant to a specific Act[1c], may apply an economic year. However, an economic year may only be used if the Iocally competent tax administrator concerned with income taxes has been notified of the intention to change the accounting period at Ieast three months before such planned transition, otherwise the accounting period shall remain unchanged. The same procedure shall apply to accounting units on their transition from an economic year to a calendar year.

## Section 4

[1c] e.g. Act on Universities, No. 111/1998 Col\., as amended

**Accounting**

(1) Accounting units referred to in section 1(2)(a) and (c) shall keep accounting as of the day of their entry in the Commercial Register until the day when they cease to exist; accounting units referred to in section 1(2)(b) shall keep accounting pursuant to this Act as of the day when they commence their activity in the Czech Republic until the day when they terminate such activity in the Czech Republic.

(2) Accounting units referred to in section 1(2)(d) shall keep accounting as of the day of their registration in the Commercial Register (incorporation) until the day when they are deleted from the Commercial Register unless their duty to keep accounting arose pursuant to section 1(2)(e), (g) or (h).

(3) Accounting units referred to in section 1(2)(e) shall keep accounting as of the first day of the accounting period following the calendar year in which they became accounting units until the Iast day of the accounting period in which they ceased to be accounting units unless their duty to keep accounting arose pursuant to section 1(2)(d), (g) or (h).

(4) Accounting units referred to in section 1(2)(f) shall keep accounting as of the first day of the accounting period following the period in which they decided to keep accounting unless they opted for keeping accounting already as of the day of commencing their business activity or some other independent gainful activity, and they shall keep accounting until the day of termination of such activity or until the last day of the accounting period in which they opt for terminating accounting provided that the duty to keep accounting did not arise to them pursuant to section 1(2) (d), (e), (g) or (h).

(5) Accounting units referred to in section 1(2)(g) shall keep accounting as of the first day of the accounting period following the period in which:

(a) they became participants in an association, or

(b) some participants of their association became an accounting unit, and this shall be their duty until the last day of the accounting period in which they ceased to be participants in such association unless the duty to keep accounting arose to them pursuant to section 1(2) (d), (e) or (h),

(6) Accounting units referred to in section 1(2)(h) shall keep accounting as of the day of commencing their activity until the day of terminating such activity unless otherwise required by other statutory provisions (another Act) and unless the duty to keep accounting arose to them pursuant to section 1(2)(d), (e) or (g).

(7) Except for the case of terminating activity, accounting units referred to in section 1(2)(d) to (h) may terminate to keep accounting earliest after expiry of five successive accounting periods in which they kept accounting.

(8) In keeping accounting, accounting units shall in particular comply with the mandatory chart of accounts, the Iayout and headings of items in the financial statements and consolidated financial statements as well as contents of the said statements and accounting procedures. Implementing statutory provisions shall regulate:

(a) the scope of, and the procedures for, preparing the financial statements;

(b) the Iayout, nomenclature and contents of property items and other assets, commitments and other liabilities in the financial statements;

(c) the Iayout, nomenclature and contents of costs, revenues and business result in the financial statements;

(d) the Iayout and contents of explanations and supplementary information to be given in the notes to the financial statements, including the information on the use of funds from the state budget or self-governing territorial units budgets;

(e) the Iayout and contents of the cash flow statement and the statement of change in equity;

(f) the mandatory chart of accounts;

(g) accounting procedures, in particular the valuation methods, procedures for creating and using provisions, depreciation policies, procedures for creating and using reserves;

(h) procedures to be applied on transition from single-entry accounting, or "tax evidence" pursuant to another Act (Note 1d), to accounting;

(i) the Iayout, nomenclature and contents of the consolidated financial statements;

(j) the method of consolidation of statements;

(k) the procedure to be applied when including accounting units into the relevant consolidated group taken as a whole;

and the said implementing provisions shall set out the rules for individual categories of accounting units, the National Property Fund of the Czech Republic and the Land Fund of the Czech Republic.

(9) Accounting units shall keep one accounting i.e. one set of books of account for one accounting unit as a whole ("the business entity concept").

(10) Each accounting unit shall keep its accounting as a system of accounting records; it may do this by using data-processing and similar equipment, data carriers and software. An accounting record shall mean data reflecting all facts relating to keeping accounting. Each individual fact concerning keeping accounting shall be entered by accounting units exclusively by means of accounting records.

(11) Individual accounting records may be combined for the purpose of providing aggregate data; such accounting records shall be in particular accounting vouchers, book entries, books of account, a depreciation plan, inventory-taking lists, a list of accounts, the financial statements and the annual report. Accounting units shall keep their accounting records at Ieast in the scope prescribed by this Act.

(12) In their accounting, accounting units shall use the monetary units of Czech currency. In the case of receivables and commitments, ownership interests in business companies[2], securities[3] and derivative instruments[4], stamps and vouchers, which are denominated in a foreign currency, or in the case of foreign exchange values[5], except for gold, these shall be recorded in both Czech currency and the relevant foreign currency; this duty shall also apply to adjustments, reserves and technical reserves[6] if the property and commitments to which they relate are denominated in a foreign currency.

(13) Accounting units shall use the Czech Ianguage in their accounting. Accounting vouchers may only be made out in a foreign Ianguage if the condition of their comprehensibility pursuant to section 8(5) is complied with.

(14) Accounting can only be regarded as an information system pursuant to other statutory provisions[7] when taken as a composite whole.

(15) In a particular accounting period, accounting units must follow the accounting procedures (methods) pursuant to subsection (8) in the wording effective at the beginning of such period.

## Section 5
## External Accounting Services

(1) An accounting unit may entrust another Iegal entity or individual to take care of its accounting.

(2) The accounting unit shall not be relieved of responsibility for its accounting by entrusting someone else pursuant to subsection (1) above.

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[2] section 61 of the Commercial Code, No. 513/1991 Coll.
[3] section I of the Securities Act, No. 591/1992 Coll., as amended
[4] section 8a of the Securities Act, as amended
[5] section 1(d) of the Foreign Exchange Act, No. 219/1995 Coll., as amended
[6] Insurance Act, No. 363/1999 Coll., as amended
[7] e.g. Act on Protection of Personal Data, No. 101/2000 Coll., as amended;
Act on Protection of Official Secrets, No. 148/1998 Coll., as amended

## Section 6
## Accounting Events

(1) Accounting units shall substantiate transactions which are the object of accounting (hereafter only "accounting events") by accounting vouchers.

(2) Accounting units shall record accounting events in their books of account (hereafter referred to as "accounting entries") only on the basis of accounting vouchers pursuant to subsection (1).

(3) Accounting units shall take inventory of their assets and Iiabilities pursuant to sections 29 and 30.

(4) Accounting units shall prepare their financial statements pursuant to section 18 as ordinary, extraordinary or interim and, in the cases Iaid down in section 22, also as consolidated financial statements.

## Section 7
## True and Fair Representation of the Financial Position

(1) Accounting units shall keep their accounting in a manner which will enable them to draw up the financial statements giving a true and fair representation of the object of the accounting and the accounting unit’s financial position.

(2) The representation is regarded as true if the contents of the items in the financial statements correspond to their actual position, and these items are shown in accordance with the accounting procedures prescribed for such accounting unit on the basis of this Act. The representation is regarded as fair if the accounting procedures were used in a manner leading to a true depiction. Where an accounting unit may choose from two or more accounting procedures and the selected procedure would conceal the actual financial position, the accounting unit must choose the procedure which would fairly reflect the actual position. Where, in exceptional cases, the use of a prescribed procedure would be incompatible with the obligation pursuant to subsection (1), the accounting unit will depart from the procedure (method) in order to present a true and fair view of the actual position.

(3) An accounting unit shall use a particular procedure (method) in a consistent manner based on the assumption that the accounting unit will continue its activity without interruption and that there is no known fact which would restrict or prevent the accounting unit from continuing such activity in the foreseeable future ("going concern concept"). In the event of an accounting unit being informed that such a fact is impending, it shall use an appropriate accounting procedure and disclose the information on the accounting procedure in the notes on its financial statements.

(4) The layout and headings of items in a balance sheet and a profit and loss account, their content and the valuation methods used in a single accounting period may not be changed by an accounting unit in the following accounting period. An accounting unit may only change the layout and headings of the said items, their content or the valuation method wholly or in part between accounting periods, but solely due to a change in its business or some other activity, or for the sake of improving the accuracy or comprehensibility of its financial statements; information on each such adaptation, together with the reasons for it, must be disclosed in the notes on the financial statements.

(5) Accounting units shall always disclose in the notes on their financial statements [section 18(1)(c)]: the accounting procedures (methods) they have used, or any departure from the procedures pursuant to subsection (2), together with relevant reasons for such departures and their effect on the accounting unit’s (entity's) assets and liabilities, financial position and business result.

(6) Accounting units shall account for assets and Iiabilities, as well as for funds received from the state budget and funds received from self-governing territorial units budgets, costs and revenues or expenses in their books of account and show them separately in their financial statements without them being mutually offsetting. When mutual set-off is used in an instance permitted by the accounting procedures, it shall not be regarded as a breach of the said principle.

## Section 8

## Correctness, Completeness, Conclusiveness, Comprehensibility and Durability

(1) Accounting units shall keep their accounting correctly, in a complete and conclusive manner, in a comprehensive and clearly-organized way and in a manner ensuring durability of the accounting records.

(2) An accounting unit keeps its accounting correctly if the manner in which it keeps its accounting is not contrary to this Act and other statutory provisions and if it does not circumvent their purpose.

(3) The accounting of an accounting unit is regarded to be complete if in a particular accounting period the accounting unit recorded all accounting events in its books of account in accordance with section 3, and latest by the end of this period has drawn up its financial statements or consolidated financial statements for the immediately preceding accounting period, prepared its annual or consolidated annual report, published the information pursuant to section 21 a and kept all the relevant accounting records in a clearly-organized manner.

(4) The accounting of an accounting unit is regarded to be conclusive if all its accounting records are properly supported i.e. documented (section 33a) and an inventory was taken.

(5) The accounting of an accounting unit is regarded to be comprehensible if it enables the reliable and unambiguous determination of:

(a) the content of accounting events, at least with using the accounting procedures pursuant to section 4(8);

(b) the content of accounting records with using the instruments pursuant to section 4(**10**).

(6) The accounting of an accounting unit is kept in a manner which ensures the durability of accounting records if the accounting unit meets its obligations relating to their archiving and processing pursuant to sections 31, 32 and 33(3) and (6) for the entire period to which such obligations under this Act apply.

PART TWO

SCOPE OF ACCOUNTING, ACCOUTING VOUCHERS, ACCOUNTING ENTRIES AND BOOKS OF ACCOUNT

## Section 9
## Scope of Accounting

(1) Unless this Act or some other statutory provisions prescribe otherwise, accounting units shall keep accounting in full scope.

(2) Accounting units, referred to in sections 19(9) and 23a, in keeping accounting in full extent, shall apply the methods pursuant to these statutory provisions.

(3) Out of the accounting units referred to in section 1(2)(a) and (b), simplified accounting may only be applied by:

(a) civic associations and their organizational formations[8] if they have the status of a Iegal entity, churches and religious associations[8a] or ecclesiastical institutions being an ecclesiastical Iegal entity[9], public service companies, communities (associations) of hunting license holders[10], endowment funds and condominia of owners of housing units[10a];

(b) housing co-operatives which are not required to have their financial statements audited, and co-operatives which were formed exclusively for the purpose of ensuring economic, social or other needs of their members[10b];

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[8] sec. 6 par. 2 letter e) of the act no. 83/1990 Coll. On Association of Citizens

[8a] section 6(1) of the Act on Religious Freedom and on the Status of Churches and Religions Associations, No. 312002 Coll., as amended

[9] section 16(1) of the Act on Religious Freedom and the Status of Churches and Religious Associations

[10] section 19 of the Game-keeping Act, No. 449/2001 Coll., as amended

[10a] Act on the Ownership of Flats, No. 72/1994 Coll., as amended

[10b] section 221(1) of the Commercial Code

(c) self-governing territorial units and voluntary groupings of municipalities and/or villages;

(d) subsidized organizations if so decided by the entity having established them;

(e) other accounting units if so laid down by other statutory provisions.

(4) Accounting units referred to in section 1(2)(c) keep simplified accounting.

(5) Out of accounting units pursuant to section 1(2)(d) to (h), simplified accounting may be kept by those accounting units which are not obliged to have their financial statements audited or those accounting units for which another Act so provides.

(6) The obligation to keep accounting in full scope shall always apply to an accounting unit if it ceases to meet the conditions Iaid down in subsection (3) or (5) for keeping simplified accounting. The transition to simplified accounting may be effected if an accounting unit meets the conditions for keeping simplified accounting. The change-over in the scope of keeping accounting may only be effected at the first day of the accounting period following the accounting period in which the accounting unit concerned established the relevant facts.

## Section 10
## Repealed

## Section 11
## Accounting (Bookkeeping) Vouchers

(1) Accounting vouchers shall be conclusive accounting records which must contain the following particulars:

(a) the designation of the accounting voucher;

(b) the content of the accounting event and the parties to the accounting event;

(c) the monetary amount, or information about the unit price and quantity involved;

(d) the date of issue of the accounting voucher;

(c) the time of the accounting event if it is not identical with the time pursuant to (d);

(f) the signature record pursuant to section 33a(4) of the person responsible for the accounting event and the signature record pursuant to section 33a(4) of the person who is responsible that the accounting event is duly accounted for.

The facts pursuant to (a) to (f) concerning one accounting voucher may be contained in more accounting records. The facts pursuant to (b) and (c) may relate to more accounting events. A signature record pursuant to (f) may be common for more accounting vouchers.

(2) Accounting units shall make out accounting vouchers without undue delay after ascertainment of the facts to be shown in the vouchers and shall make out the vouchers in a manner pursuant to section 8(5) that will enable to determine the content of each individual accounting event.

## Section 12
## Accounting Entries

(1) Accounting entries are accounting records whose content is determined by this Act's provisions on books of account.

(2) Accounting units shall make accounting entries on an ongoing basis during an accounting period; any such entry shall be made after the issue of the relevant accounting voucher provided that compliance with this requirement is not contrary to other statutory provisions. An accounting entry must be followed by a signature record of the person responsible for making the accounting entry unless such signature record is identical with that of the person responsible for accounting for the event (transaction).

(3) Accounting entries may not be made outside the books of account.

## Section 13
## Books of Account

(1) Unless this Act provides for otherwise, accounting units shall make accounting entries in:

(a) a journal or journals, in which the entries are arranged chronologically, documenting that all accounting events in the accounting period have been duly recorded;

(b) a general ledger, in which the entries are arranged systematically;

(c) sub-ledgers, in which the details of ledger entries are provided;

(d) in off-balance sheet books of account (i.e. memorandum accounts) where accounting entries are made which are not recorded in books of account pursuant to (a) and (b).

(2) The general ledger shall contain ledger accounts in accordance with the list of accounts in use, which must include at Ieast the following information:

(a) the balance of each Iedger account at the day the general ledger is opened;

(b) the total debit and credit movements for at Ieast one month.

(c) the balance of each Iedger account as at the date of closing-the-books.

(3) Accounting units (entities) are not allowed to establish accounts outside their list of accounts and books of accounts.

## Section 13a
## Simplified Accounting

(1) Accounting units keeping simplified accounting:

(a) shall compile a Iist of accounts containing only groups account (if so opted for), unless another Act[11a] prescribes a more detailed breakdown (subdivision);

(b) may combine accounting in their journal with accounting in their general ledger;

(c) shall not apply section 25(2), with the exemption of depreciation;

(d) shall not apply section 26(3) concerning reserves and adjustments, with the exemption of reserves and adjustments (provisions) pursuant to another Act (Note 11b);

(e) shall not apply section 27, with the exemption of section 27(3) upon conversion of housing co-operatives;

(f) shall prepare their financial statements in the scope (extent) prescribed for individual categories of accounting units [section 4(8)] by implementing statutory provisions (regulations).

(2) Accounting units keeping simplified accounting pursuant to subsection (1) need not apply section 13(1)(c) and (d).

(3) The application of the procedure pursuant to subsections (1) and (2) shall not be regarded as a breach of duties Iaid down in sections 3(1) and 7(1) and (2).

## Section 14
## Mandatory Chart of Accounts and List of Accounts

[11a] e.g. section 45 of the Act on Budgetary Rules, No. 218/2000 Coll., as amended

(1) The mandatory chart of accounts prescribes the Iayout and titles of the account classes, groups account and also Iedger accounts used to book the position of, and movements in, property and other assets, commitments and other Iiabilities, as well as costs and revenues, and a profit or Ioss; this Iayout must enable to prepare financial statements.

(2) On the basis of the mandatory chart of accounts, accounting units shall compile a list of accounts and include in it all accounts required for their accounting for all accounting events and preparing their financial statements.

(3) Accounting units shall prepare a Iist of accounts pursuant to subsection (2) for each accounting period. The Iist may be supplemented during the year. If at 1 January of the accounting period there is no change from the Iist of accounts used in the previous accounting period, the accounting Unit will also use such Iist in the subsequent accounting period.

## Section 15
## Repealed

## Section 16
## Books of Account

(1) Monetary amounts in sub-Iedger accounts must correspond to the relevant aggregate monetary amounts of turnovers or balances shown in the Iedger accounts in relation to which such sub-Iedger accounts are kept.

(2) Entries in sub-Iedger accounts shall be shown in monetary units; they may not be shown only in physical measuring units and quantities.

## Section 17
## Opening and Closing of Books of Account

(1) Unless it is further provided for otherwise, accounting units shall open their books of account:

(a) at the day when their obligation to keep accounting arises;

(b) at the first day of an accounting period;

(c) at the day of their going into Iiquidation;

(d) at the day following the day of preparing a proposal for the distribution of their Iiquidation balance or at the day following the day of preparing their report on the disposal of property pursuant to other statutory provisions;

(e) at the day of effects of the adjudication of their bankruptcy order;

(f) at the day of effects of the approval of settlement;

(g) at the day of the affirmation of forced settlement;

(h) at the day following the day on which the effects of the affirmation of settlement occur;

(i) at the day following the day on which the effects of performance) of forced settlement occur;

(j) at the day following the day on which the effects of quashing their bankruptcy order occur;

(k) at the day which is prescribed for preparing their opening balance sheet in other statutory provisions.

(2) Unless it is further provided for otherwise, accounting units shall close their books of account:

(a) at the day when their obligation to keep accounting terminates;
(b) at the Iast day of an accounting period;
(c) at the day preceding the day of going into liquidation;
(d) at the day of their winding-up without going into liquidation, with the exemption of conversion of companiesor co-operatives;

(e) at the day preceding the day on which the effects of the adjudication of their bankruptcy order occur;

(f) at the day preceding the day on which the effects of the approval of settlement occur;

(g) at the day preceding the day on which the effects of the affirmation of forced settlement occur;

(h) at the day on which the effects of the affirmation of settlement occur;

(i) at the day on which the effects of performance of forced settlement occur;

(j) at the day on which the effects of quashing their bankruptcy order occur; or

(k) at the day which is prescribed for closing their books of account and preparing their financial statements in other statutory provisions.

(3) Accounting units participating in a company conversion shall open their books of account at the decisive day of the company conversion and keep their accounting independently as of the decisive day of such company conversion until the day when the company conversion is entered in the Commercial Register. The relevant successor accounting unit shall adjust the accounting of the participating accounting units at the day of

the company conversion's entry in the Commercial Register[11c] with effects as of the decisive day. The financial statements shall not be prepared at the day of the company conversion 's entry in the Commercial Register and at the day preceding, and at the day following, the day of the company conversion's entry in the Commercial Register.

(4) After approval of its financial statements, an accounting unit may not add further accounting entries to books of account which have already been closed, with exemption of company conversion pursuant to subsection (3). Until approval of its financial statements, however latest by the end of the following accounting period, and only due to the reason that the contents of the items shown in the financial statements fail to give a fair view of their position, the accounting unit may re-open already closed books of account, make appropriate corrections of accounting entries and draw up their new financial statements which are then deemed to be financial statements pursuant to this Act.

## PART THREE
## FINANCIAL STATEMENTS

### Section 18
### Elements of Financial Statements

(1) Accounting units keeping accounting shall draw up their financial statements in the instances Iaid down in this Act. Financial statements in their integral entirety shall consist of:

(a) balance sheet;

(b) profit and Ioss account; however, the National Property Fund of the Czech Republic, the Land Fund of the Czech Republic and state funds shall not draw up their profit and Ioss account;

(c) notes which explain and supplement the information contained in the financial statements pursuant to (a) and (b), in particular by complying with the provisions

[11c] e.g. section 220a(3)(g) of the Commercial Code

of sections 7(3) to (5) and 19(5). The notes shall further include information on the amounts of due commitments concerning mandatory social security contributions, employment policy contributions, general health care contributions, and on the amounts of underpaid taxes, as recorded by the Iocally competent financial office.

Financial statements may also include a cash flow statement or a statement of changes in the equity.

(2) The financial statements pursuant to subsection (1) must contain:

(a) the first name and surname, the commercial name or other designation of the accounting unit in question; in the case of accounting units pursuant to section J(2)(a) to (c), the seat or in the case of accounting units pursuant to section 1(2)(d) to (h), the home address or place of business if the latter differs from the former;

(b) the accounting unit' s identification number, if allocated;

(c) the Iegal form of the accounting unit;

(d) the object of its business or other activity, or the purpose for which the accounting entity was formed;

(c) the balance-sheet day [section 19(1)] or some other day at which the financial statements are drawn up, i.e. the time of closing-the-books [section 19(3)];

(f) the day when the financial statements were drawn up;

and the financial statements must also include a signature record of the statutory body of the accounting unit pursuant to section 1(2)(a) to (c) or a signature record of the accounting unit pursuant to section 1 (2)(d) to (h); by the appending of such signature record, the financial statements are considered to have been drawn up pursuant to (f).

(3) Accounting units shall prepare their financial statements in either full or abridged form. Unless this Act provides for otherwise, abridged financial statements are drawn up by accounting units which are not required by law to have their financial statements audited, with the exemption of joint stock companies which must always prepare full financial statements.

(4) Repealed

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**Section 19**

**Balance-Sheet Day**

(1) Accounting units shall draw up their financial statements at the balance-sheet day which is the day when they close their books of account. Accounting units prepare their ordinary financial statements at the Iast day of the relevant accounting period, in other cases they draw up their extraordinary financial statements. A balance sheet is drawn up as an opening balance sheet by accounting units in cases pursuant to section 17(1), except that it is not prepared at the first day of the accounting period.

(2) Accounting units shall present in their financial statements the data according to the position at the close of the balance-sheet day; this shall similarly apply to all financial statements drawn up as at the balance-sheet day or at another time at which such statements are drawn up.

(3) When so required by other statutory provisions, accounting units shall draw up their financial statements also in the course of an accounting period as at a moment other than the close of the balance-sheet day (hereafter referred to as interim financial statements). When interim financial statements are prepared, accounting units shall not close their books of account but shall take inventory only for the purposes of valuation pursuant to section 25(2); the other provisions of this Act on financial statements shall similarly apply. Accounting units, which arc referred to in section 1(2)(a), (b), (d) to (h) and are recipients of funds from the state budget or from self-governing territorial units budgets, shall account for these funds pursuant to another Act[11d], and if they apply an economic year pursuant to section 3(2) and

[11d] Act on Budgetary Rules, No. 218/2000 Coll., as amended; Act on Budgetary Rules of Local Budgets; No. 25012000 Coll., as amended

(3), they shall draw up their interim financial statements at 31 December of the calendar year, thereby not applying the statutory provisions of section 24(2)(b) and (6)(b).

(4) Each accounting unit shall draw up its balance sheet so that the opening balances of the accounts contained in the balance sheet (referred to as 'the balance sheet accounts") shall be consistent with the closing balance sheet accounts of the immediately preceding accounting period; this provision shall also apply to off-balance sheet accounts.

(5) Accounting units shall include in the notes on their financial statements also the information for the period from the close of the balance-sheet day until the day when the financial statements are actually drawn up, namely the information on:

(a) facts giving further details of the conditions or situations which existed at the close of the balance-sheet day;

(b) facts which existed at the close of the balance-sheet day as uncertain conditions or uncertain situations;

if their consequences significantly alter the view of the accounting unit's financial position.

(6) The information shown in the financial statements must be reliable, comparable and comprehensible and shall be considered from the viewpoint of its material importance. The information shall be regarded as reliable if it meets the requirements of section 7(1) and if it is complete and timely. The information is timely if it was acquired at the relevant time with regard to its materiality and the cost of acquiring it, unless the cost involved exceeds the benefits resulting from having such information. The information is comparable if it meets the requirements Iaid down in section 7(3) to (5). Such information is regarded to be significant (i.e. material) if its non-disclosure or incorrect disclosure might influence the view or decision-making of a person using the information (hereafter referred to as "user"); in the case of accounting units pursuant to section 1 (2)(c) and self-governing territorial units which are recipients of funds from the state budget or manage such funds and which are obliged to

account for these funds in accordance with another Act[11d], significant information shall also be the information on the valuation of intangible fixed assets of over CZK 60,000 and on the valuation of any individual set of movable things (assets) exceeding CZK 40,000. The information is regarded to be comprehensible if it meets the requirements laid down in section 8(5).

(7) For the purposes of this Act, assets and liabilities are subdivided as fixed or current, The term "fixed" shall refer to assets and liabilities whose useful economic life, or the agreed period of maturity at the inception of such accounting event, is longer than one year, other assets and liabilities shall be regarded as "current". Where aspects of such subdivision cannot be objectively applied to certain assets and Iiabilities due to their characteristics, the accounting unit's intention, as disclosed on their acquisition, shall be decisive,

(8) When statutory provisions so require in certain cases, accounting units may keep their accounting records in which the information shall be arranged according to such accounting unit's type of activity or the geographical areas where the accounting unit operates,

(9) Accounting units which are business companies issuing securities[3] listed on a regulated market of securities in the European Union's Member States shall apply international accounting standards (International Financial Reporting Standards), as governed by the European Community's law[11e], to keeping their accounting and preparing their financial statements. For the purposes of this Act, "regulated market in the Czech Republic" shall mean a public market pursuant to another Act.

(10) No accounting records other than those pursuant to subsections (1) and (3) may use the designations (titles) laid down in section 18(1),

(11) Financial statements shall not mean the collating or soliciting of information made pursuant to another Act[12].

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[11d] Act on Budgetary Rules, No. 218/2000 Coll., as amended; Act on Budgetary Rules of Local Budgets; No. 25012000 Coll., as amended

[12] Act on the State Statistical Service, No. 89/1995 Coll., as amended

**Section 20**

**The Auditing of Financial Statements**

(1) The following accounting units referred to in section 1(2) [with exemptions set out in subsections (2) and (3) below] are subject to the obligation to have their ordinary and extraordinary financial statements audited:

(a) joint stock companies if at the close of the balance-sheet day of the accounting period for which their financial statements [section 18/3] are audited and the immediately preceding accounting period at Ieast one of the following three criteria have been exceeded or attained:

1. total assets of CZK 40 million; for the purposes of this Act "total assets" shall be the aggregate figure shown in the balance sheet in the valuation not having been adjusted by the items pursuant to section 26(3);

2. net turnover of CZK 80 million per annum; for the purposes of this Act, "net turnover per annum" shall mean the revenues, reduced by sales rebates, and divided by the number of all months having begun in such accounting period, and multiplied by 12;

3. average number of employees of 50 for the accounting period; such average number shall be computed in accordance with another Act (Note 12);

(b) other business companies and co-operatives provided that at the close of the balance-sheet day of the accounting period for which their financial statements [section 18(3)] are audited and for the immediately preceding accounting period such companies or co-operatives exceeded or attained at Ieast two of the three criteria pursuant to (a)(points 1 to 3); in the case of a co-operative, an employee pursuant to (a)(point 3) shall also mean a co-operative member’s employment relationship to the co-operative;

(c) accounting units referred to in section 1(2)(b), if they are businesses in accordance with the conditions pursuant to (b);

(d) accounting units referred to in section 1(2)(d) to (h) using double-entry accounting under conditions pursuant to (b);

(e) accounting units for which this duty is prescribed in other statutory provisions.

(2) The audit requirement shall not apply to the financial statements drawn up by accounting units, referred to in subsection (1), in the course of bankruptcy proceedings (for a period of 36 consecutive calendar months as of the first day of the calendar month following the day when the effects of the adjudication of the bankruptcy order occurred), with the exemption of the financial statements drawn up at the balance-sheet day at which the books of account are closed pursuant to section 17(2)(j) (i.e. at the day of closing-the-books).

(3) The audit requirement shall not apply to extraordinary financial statements drawn up by accounting units, referred to in subsection (1), at the balance-sheet day at which accounting units close their books of account pursuant to section 17(2)(h) or (i), with the exemption of cases when such balance-sheet day at which they close their books of account pursuant to section 17(2)(i) is identical with the balance-sheet day at which they close their books of account pursuant to section 17(2)(j).

## Section 21
## Annual Report

(1) Accounting units referred to in section 20(1)(a) to (d) shall prepare their annual report in order to provide overall, well-balanced and comprehensive information on their performance, activity and current economic position. An annual report is not prepared in the cases pursuant to section 20(2) and (3).

(2) In addition to the information required for compliance with the purpose of an annual report, such report must further contain at Ieast the financial and non-financial information:

(a) on the events which occurred after the balance-sheet day and are material with regard to compliance with the purpose of an annual report pursuant to subsection (1);

(b) on the expected development of the accounting unit's activity;

(c) on the activity in research and development;

(d) on the activity in the field of the environmental protection and on labor (industrial) relations;

(e) on the fact whether the accounting unit has an organizational component (branch) abroad;

(f) as required by other statutory provisions[13a].

(3) Where it is material for the assessment of a certain accounting unit's property and other assets, obligations and other Iiabilities, its financial position and business result, the accounting unit using investment instruments[4], or other similar assets and Iiabilities, must disclose in its annual report also the information on:

(a) the objectives and methods of the company's risks management, including its policy for hedging all main types of planned transactions for which hedging derivatives are used;

(b) the pricing, credit and liquidity risks and also cash-flow risks faced by the accounting unit.

(4) An annual report shall also include the financial statements, and the relevant auditor's report and, where appropriate, other documents and data required by other statutory provisions[13b].

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[13a] e.g. section 161d(5) of the Commercial Code

[13b] Commercial Code

(5) Accounting units referred to in section 20(1)(e) shall prepare their annual report or a similar document if this obligation is prescribed to them by other statutory provisions[14].

(6) The provisions of section 20 shall similarly apply to the verifying of an annual report by an auditor.

## Section 2la
## Methods of Publication

(1) Out of the accounting units referred to in section 1 (2), the duty to make public their financial statements and their annual report shall apply to those accounting units which are entered in the Commercial Register and to those accounting units for which this duty is prescribed in other statutory provisions[14]. They shall make public their financial statements and their annual report in the extent in which these were drawn up [section 18(3)]. This shall not affect the duties of accounting units to publish or make public other information as in cases Iaid down in specific statutory provisions[15]. The provisions on accounting records pursuant to this Act may similarly apply to such cases.

(2) Accounting units referred to in section 20 shall make public their financial statements and annual report after these have been verified by an auditor and approved by the competent body pursuant to other statutory provisions[16], and they shall do so within 30 days of meeting both these conditions unless special statutory provisions lay down another time-limit, but no later than the end of the immediately following accounting period, irrespective of whether the financial statements were approved in the above-mentioned manner.

(3) Accounting units shall also publish and make public the relevant auditor's report and, if applicable, the information that the financial statements were not approved in the manner Iaid down in subsection (2).

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[14] e.g. section 18 of the Act on Political Parties and Political Movements, No. 424/1991 Coll., as amended

[15] e.g. section 80a of the Securities Act

[16] e.g. section 125 of the Commercial Code

(4) Accounting units entered in the Commercial Register shall also make public their financial statements and annual report by filing them in the registry of documents of the Commercial Register in accordance with other statutory provisions[17]; the financial statements may be filed as a part of the annual report. Accounting limits which under other statutory provisions submit their annual reports to the Securities Commission shall pass their financial statements and annual report to the registry of documents at the Commercial Register through the Securities Commission. The duty under this Act to make public financial statements is fulfilled when the accounting unit passes them to the court keeping the Commercial Register, or in cases pursuant to the second sentence, when it passes them to the Securities Commission.

(5) Accounting units whose financial statements must be audited pursuant to section 20 may not make public such unaudited financial statements in a manner which might mislead their users into thinking that they have been audited.

(6) The duty of publication pursuant to this provision shall also apply to all information in financial statements and annual report, with the exemption of information which is subject to secrecy under other statutory provisions[18].

(7) The provisions of subsections (1) to (6) shall similarly apply to consolidated financial statements and consolidated annual report.

## Section 22
## Consolidated Financial Statements

(1) Consolidated financial statements shall mean financial statements drawn up and adjusted by the consolidation methods pursuant to this Act [section 23(1)]; consolidated financial statements shall provide information about a group taken as a whole. Consolidated financial statements must be audited. Unless it is further provided for otherwise, the provisions of this Act shall also apply to consolidated financial statements (i.e. consolidated annual accounts).

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[17] section 27a(2)(c) of the Commercial Code
[18] Act on the Protection of Official Secrets

(2) The duty to draw up consolidated financial statements for a group taken as a composite whole shall apply to the accounting unit being a business company that is a managing entity[19] or a controlling entity[20]. An accounting unit that is under the obligation to draw up consolidated financial statements shall be a consolidating accounting unit. An accounting unit which is a subsidiary[19] or controlled by another entity[20] or over which a significant influence is exercised by the consolidating accounting unit, is obliged to comply with the requirement for being included in the consolidated financial statements; such accounting unit shall be a consolidated accounting unit. "Significant influence" shall mean such an influence on the management or operation of an undertaking (an entity) which is not decisive[20]; unless the contrary is proven, a significant influence shall mean the holding of no less than 20% of voting rights.

(3) "Consolidation group" shall mean a group of accounting units pursuant to subsection (2). A consolidating accounting unit shall be exempt from the consolidation requirement if, at the close of the balance-sheet day for the accounting period for which the consolidated financial statements are to be prepared, the accounting units involved on the basis of their Iast ordinary financial statements did not exceed or attain at Ieast two of the following three criteria:

1. total assets of over CZK 350 million; for the purposes of this Act, "total assets" shall mean the aggregate figure from the balance sheet in a valuation not adjusted by items pursuant to section 26(3 );

2. net turnover of over CZK 700 million per annum; for the purposes of this Act, "net turnover per annum" shall mean the total revenues, reduced by trade discounts (selling rebates), divided by the number of months begun in the accounting period, and multiplied by 12 (twelve);

3. average number of employees of over 250 during the accounting period (including co-operative members' employment relationship with their co-

[19] section 66a(7) of the Commercial Code
[20] section 66a(2) of the Commercial Code

operative); such number having been ascertained by the method in compliance with other statutory provisions[12].

The said exemption shall not apply to accounting units which are banks or which are engaged in insurance or re-insurance business pursuant to other statutory provisions, and further to accounting units that issue securities listed on a regulated market of securities.

(4) A consolidating accounting unit shall notify all consolidated accounting units included in a consolidation group of the fact that they will be consolidated and concurrently advise them of the composition of such group.

(5) Consolidated accounting units included in a consolidation group shall provide their financial statements and any other documents required for the preparation of consolidated financial statements to the consolidating accounting unit.

(6) The obligations pursuant to subsections (2), (4) and (5) shall similarly apply to the obligation to prepare a consolidated annual report in accordance with subsection (7).

(7) A consolidated annual report shall mean an annual report (section 21) which includes information on a particular consolidation group (taken as a composite whole).

(8) If a consolidated annual report also contains all the information on a particular consolidating accounting unit required for its annum report, the consolidating accounting unit need not prepare a separate annual report.

## Section 23
## Consolidation Requirements

(1) A consolidating accounting unit shall use for the preparation of consolidated financial statements:

(a) the full consolidation method;

(b) the proportionate consolidation method; or

(c) the equity method.

(2) Consolidated financial statements shall be prepared at the close of the balance sheet day of the consolidating accounting unit concerned.

(3) The financial statements of the consolidating accounting unit and accounting units consolidated by the former shall be drawn up in principle at the same time. If the balance-sheet day of the last financial statements of any of consolidated accounting units included into their consolidation group precedes by more than three months the balance-sheet day pursuant to subsection (2), such consolidated accounting unit shall be included in the consolidation group on the basis of its financial statements drawn up pursuant to section 19(3) at the close of the balance-sheet day of the consolidating accounting unit. In the case of accounting units engaged in insurance or reinsurance business under other statutory provisions, the period preceding the consolidating accounting unit's balance-sheet day shall be extended to six months.

(4) When financial statements are consolidated, the length of the accounting period must be identical. Any change in the composition of a particular consolidation group during one accounting period must be disclosed in the notes on consolidated financial statements.

**Section 23a**

**The application of International Accounting Standards to Consolidation**

(1) Consolidating accounting units which issue securities[3] listed on a regulated market of securities in the European Union's Member States shall apply international accounting standards (International Financial Reporting Standards) in accordance with the European

Community's law[11e] when they prepare their consolidated financial statements and annual report.

(2) Consolidating accounting units which are not referred to in subsection (1) may apply international accounting standards (International Financial Reporting Standards) pursuant to subsection (1) to the preparation of their financial statements and annual report.

PART FOUR

VALUATION METHODS

**Section 24**

**Principles of Valuation and Exchange Rates**

(1) Accounting units shall value items of their property and commitments according to the provisions of this Act.

(2) Accounting units shall value items of their property and commitments:

(a) at the time of realization of an accounting event - by employing the methods pursuant to section 25;

(b) at the close of a balance-sheet day or at another time at which the books of account are closed - by using the methods pursuant to section 27; such valuation must be recorded in the books of account;

(hereafter referred to as "the time of valuation"). The provisions of this Act on valuation of property and commitments shall be applied, as appropriate, to the valuation of other assets and Iiabilities.

[11e] Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (on the application of international accounting standards)

(3) Upon acquisition of more than one property item by transfer or transference provided that it is not possible to value individual property items by the procedure pursuant to section 25, the accounting unit concerned shall value individual property items:

(a) on acquisition of an enterprise or its independent organizational component (branch), even on company conversion (however, with the exemption of a mere change in its Iegal form),

1. by using the valuation of individual property items entered in the books of account of the accounting unit from which the ownership title to such enterprise was transferred or passed;

2. by the valuation of individual property items pursuant to other statutory provisions;

(b) in other cases, by proportionate distribution (allocation) of the total acquisition cost or the replacement cost of acquisition.

(4) Upon acquisition of a set of movable things which, as a set, has its independent technical and economic determination and serves a uniform purpose, or upon acquisition of some other sets specified in implementing statutory provisions (regulations), the valuation of such set shall be made in its integrity.

(5) The accounting methods of property valuation pursuant to subsections (3) and (4) shall be governed by implementing statutory provisions.

(6) Property and commitments expressed in a foreign currency shall be translated by accounting units into Czech currency at the foreign exchange market rate promulgated by the Czech National Bank at the time of valuation:

(a) at the time of valuation pursuant to subsection (2)(a); or

(b) at the time of valuation pursuant to subsection (2)(b), but only as regards the property and commitments Iaid down in section 4(12).

In the case of purchase or sale of a foreign currency for Czech currency, the rate of exchange for which such currency was purchased or sold can be used at the time of valuation.

(7) When translating a foreign currency to Czech currency for the purposes of the valuation pursuant to subsection (2)(a), an accounting unit can apply a fixed rate of exchange by which is meant the rate prescribed in the accounting unit's internal regulation and fixed on the basis of the exchange rate promulgated by the Czech National Bank and used by the accounting unit for a predetermined period. Such a predetermined period may not exceed the length of one accounting period. The accounting unit shall prescribe its fixed rate on the basis of the relevant rate on the foreign exchange market, as promulgated by the Czech National Bank at the first day of the period for which such fixed rate will be used. When using a fixed rate of exchange, the accounting unit may alter this rate by its internal regulation even in the course of the predetermined period; in the case that the devaluation or revaluation of the Czech crown is promulgated, the said fixed rate must always be altered.

(8) The provision of subsection (7) shall not apply to accounting units if, under other statutory provisions, they need for their activity a banking license[20a], a license (authorization) for operating as a brokerage house[20b], an authorization for establishing an investment company or an investment fund[20c], an authorization for establishing and operating a pension fund[20d], an authorization for operating as a co-operative credit union[20e], an authorization for being engaged in insurance or reinsurance business[20f], an authorization for carrying on the business of general health insurance[20g].The provision of paragraph 7 shall further not apply to the Czech National Bank[20h], the Czech Consolidation Agency[20i], the Czech Underwriters' Office[20j] and the General Health Insurance Company of the Czech Republic[20k].

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[20a] Banking Act, No. 21/1992 Coll.; Act on Insurance and Financing of Exports \\1th State Support, No. 58/1995 Coll.

[20b] Securities Act, No. 591/1992 Coll., as amended

[20c] Act on Investment Companies and Investment Funds, No. 248/1992 Coll., as amended

[20d] State-Contributory Supplementary Pension Insurance Act, No. 42/1994 Coll., as amended

[20e] Act on Savings and Credit Co-operatives, No. 87/1995 Coll., as amended

[20f] Insurance Act, No. 363/1999 Coll., as amended; Act on Insurance and Financing of Exports with State Support, No. 58/1995 Coll.

[20g] Act on Sectoral, Branch, Enterprise and Other Health Insurance Companies, No. 280/1992 Coll., as amended

[20h] Czech National Bank Act, No. 6/1993 Coll., as amended

[20i] Czech Consolidation Agency Act, No. 239/2001 Coll., as amended

[20j] Act on Third-Party Insurance (Related to Road Traffic), No. 168/1999 Coll., as amended

## Section 25

## Valuation of Individual Assets and Liabilities

(1) The valuation on individual property assets and obligations shall be made:

(a) at their acquisition cost, in the case of tangible assets, excluding inventory and assets created internally;

(b) at their production cost, in the case of tangible assets, excluding inventory created internally;

(c) at the acquisition cost, in the case of inventory, excluding inventory created internally;

(d) at the production cost, in the case of inventory created internally;

(e) at their nominal value, in the case of monetary means, stamps and vouchers;

(f) at their acquisition cost, in the case of ownership interests, securities and derivatives;

(g) at the nominal value, in the case of inception of a receivable, but at the acquisition cost, in the case that a receivable is acquired for a valuable consideration or as an investment contribution[21]; and at the nominal value in the case of commitments;

(h) at their acquisition cost, in the case of intangible assets, excluding receivables and intangible assets created internally;

(i) at production cost (i.e. own costs), in the case of intangible assets, excluding receivables, created internally;

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[20k] Act on the General Health Insurance Company of the Czech Republic, no. 551/1991 Coll., as amended

[21] section 59 of the Commercial Code

(j) at production cost, in the case or newly-born animals;

(k) at their replacement cost, in the case of gratuitous acquisition of assets [excluding assets pursuant to (e)], or in the case of assets created internally when their production cost cannot be ascertained.

(2) When the valuation is made at the close of a balance-sheet day, accounting units shall include into the valuation only gains that have been realized while taking into consideration all foreseeable risks and potential losses of which they are aware at the time of preparing their financial statements, and also all diminutions in the value, irrespective of whether the business result of such accounting period is a profit or loss.

(3) In the case of an identical kind of inventory or securities, their valuation made at a price resulting from the valuation of their reductions by a weighted arithmetical average or by the FIFO* method shall also be regarded as a method of valuation pursuant to subsection (1).

(4) For the purposes of this Act:

(a) "acquisition cost" shall mean both the price at which a particular asset is acquired and the expenses incurred in connection with its acquisition;

(b) "replacement acquisition cost" shall mean the cost for which a particular asset could be acquired at the time when it is accounted for;

(c) "production cost" in respect of inventory produced internally by the accounting unit shall mean the direct costs incurred in its production or some other activity and also a part of the indirect costs relating to such production or other activity; .

(d) "production cost" in respect of tangible assets and intangible assets created internally shall mean the direct costs incurred in their production or some other

* First-In, First-Out

activity as well as that part of the indirect costs relating to such production or other activity, as calculated in accordance with the accounting methods.

## Section 26
## Principle of Prudence

(1) Where it is ascertained during inventory-taking that the selling price of inventory reduced by the expenses relating to its sale is lower than the price used for the valuation of such inventory in the books of account, the inventory shall be valued at this lower price, both in the books of account and in the financial statements.

(2) Where it is ascertained during inventory-taking that the value of commitments is higher or lower than the amount shown in the books of account, such commitments shall be recorded at this ascertained value both in the books of account and in the financial statements.

(3) The statutory provisions on valuation pursuant to section 25(2) refer to reserves, adjustments and depreciation of assets. For the purposes of this Act, "reserves" shall mean provisions for risks and losses, income tax reserves, reserves for pensions and similar commitments and reserves for restructuring. Reserves shall further mean technical or other reserves under other statutory provisions. "Adjustments" shall reflect a temporary reduction in the value of assets; “depreciation" of assets shall express a permanent reduction in the value of such assets.

(4) Accounting units not formed or established for the purpose of carrying on a business activity shall apply the provisions of subsections (1) to (3) in accordance with the accounting methods.

## Section 27
## Application of Valuation Methods

(1) At the time of valuation pursuant to section 24(2)(b), the following individual assets and Iiabilities shall be shown in their fair value:

(a) securities, excluding securities being held until their maturity, bonds having been acquired on the primary market and not determined by the accounting unit for trading, securities representing dominant i.e. controlling or significant influence and securities issued by the accounting unit;

(b) derivatives;

(c) financial placements and technical reserves of accounting units carrying on insurance or re-insurance business under other statutory provisions, excluding general health insurance[22a];

(d) assets and Iiabilities in those cases where the valuation by a fair value is prescribed by statutory provisions[23]; this shall not apply to the cases pursuant to subsection (3);

(e) any part of assets and Iiabilities covered by derivatives;

(f) receivables which the accounting unit acquired and determined for trading;

(g) the obligations to return securities having been alienated by the accounting unit and not acquired back by the time of valuation.

(2) The valuation of property items referred to in subsection (1) (a) to (g) by their fair value can be made more often, i.e. not only at the time pursuant to subsection (1).

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[22a] Public Health Insurance Act, No. 48/1997 Coll., as amended; Act on Sectoral, Branch, Enterprise and Other Health Insurance Companies, No. 280/1992 Coll., as amended; Act on the General Health Insurance Company of the Czech Republic, No. 551/1991 Coll., as amended

[23] e.g. Investment Companies and Investment Funds Act, No. 248/1992 Coll., as amended

(3) Where the Commercial Code imposes the duty to make the valuation of business property on company conversion, the valuation of the property and Iiabilities shall be made by their fair value at the time pursuant to section 24(2)(b).

(4) For the purposes of this Act, the following shall be used as fair value:

(a) market value;

(b) valuation by a qualified estimate or by all expert’s opinion, if the market value is not available or it insufficiently reflects the fair value; the valuation methods used in a qualified estimate or in an expert’s opinion must ensure an adequate approximation to the market price;

(c) the valuation made under other statutory provisions, if the procedure pursuant to (a) or (b) cannot be followed.

(5) The market value shall mean the value quoted on this country's stock exchange or a foreign stock exchange or on some other public market. For the valuation under this Act, an accounting unit shall use the market value quoted no later than at the time of valuation [section 24(2)(b)] or as close as possible to the time of valuation. If a particular asset is quoted on this country's stock exchange, the market value shall mean the closing price Iisted by the stock exchange on the business day when the valuation is made. If such asset is not listed on this country's stock exchange but it is listed on foreign stock exchanges, the market value shall mean the highest closing price attained on approved stock exchanges on the business day when the valuation is made. In the case of a public market other than a stock exchange, the market value shall mean the price valid on the day when the valuation is made. If the relevant markets are closed on the day when valuation is made, the price quoted on such markets on the last business day prior to the valuation shall be used; if such price is not known, the procedure according to the second sentence shall be followed.

(6) Section 25(2) shall apply as appropriate to the valuation by fair value, and any differences arising from such valuation shall be accounted for in compliance with the accounting methods.

(7) Where due to objective reasons it proves impossible to determine the fair value of a particular item, its fair value shall be the amount determined by the valuation methods pursuant to section 25. The methods pursuant to section 25 shall even be used for the valuation of assets and commitments not specified in subsection (1), unless it is provided for otherwise below. Bonds and other fixed-rate securities to which the provisions of subsection (1) do not apply shall be valued at their acquisition cost, increased or reduced by interest income or costs, at the close of the balance-sheet day or some other date at which financial statements are drawn up; where the valuation of receivables includes such gains or costs, their valuation can be increased or reduced in the same manner. An ownership interest which gives rise to the exercise of a dominant influence can be valued by the equity method; if an accounting unit applies the said method, it must also apply it to the valuation of all of its other such ownership interests.

## Section 28
## Depreciation

(1) Unless it is provided for otherwise below, accounting units which have an ownership title or some other right to property, or which manage state-owned property or the property of a self-governing territorial unit shall account for such assets and their depreciation ill accordance with the accounting procedures. In the case of a contract of borrowing[24] for the period of securing commitments by assignment of a title[25], or in the case of acquisition of ownership title to movable assets on the basis a manifestation of will, rather than by their takeover[26], as well as in other cases set out in other statutory provisions or implementing regulations, such assets and their depreciation shall be accounted for by the accounting units (accounting entities) which use them. Depreciation shall not apply to land and other specific assets laid down in other statutory provisions or implementing regulations.

(2) The depreciation of an asset pursuant to subsection (1) shall be written off by the accounting unit that provides such asset for use to another person for a consideration (payment) or gratuitously, in particular on the basis of a lease contract or a contract on

[24] section 659 of the Civil Code
[25] section 553 of the Civil Code
[26] e.g. section 133(1) of the Czech Code; sections 443(2), 444 and 445 of the Commercial Code

borrowing; the provision of subsection (1) concerning a borrowing contract shall not be hereby affected.

(3) The depreciation of an asset pursuant to subsection (1) shall be written off by the accounting unit that provides such asset for use to another person on the basis of a contract on financial leasing; for the purposes of this Act, "financial leasing contract" shall mean the provision of an asset for another person's use against payment provided that the user of the asset is entitled or obliged to acquire the ownership right (title) to the said asset during the period of use or on termination of the period of use.

(4) The depreciation of an asset pursuant to subsection (1) shall only be written off by its lessee in the case that the lessee is entitled to account for this asset and write off depreciation of the asset on the basis of the contract on lease of an enterprise or its part.

(5) An accounting unit that uses an asset pursuant to subsection (1) for a consideration or gratuitously and that makes a technical improvement on such asset on its own account shall account for the said technical improvement and write off its depreciation in accordance with the accounting procedures.

(6) Accounting units referred to in subsection (1) shall draw up their depreciation plan; on its basis assets shall be gradually written off during their use. Each asset can be written off only up to the asset's valuation in the books of account.

## PART FIVE
## TAKING-INVENTORY OF ASSETS AND LIABILITIES

### Section 29
### Principles of Inventory-taking (Stocktaking)

(1) Accounting units shall take inventory in order to ascertain the actual position of all their assets and liabilities and check whether the actual position corresponds to that shown in the books of account and whether there are any reasons to account for items pursuant to

section 25(2). Accounting units take inventory as at the day at which they draw up their ordinary or extraordinary financial statements (hereafter "periodic inventory-taking") and for the purposes of submitting a petition for settlement. In the cases pursuant to subsection (2), accounting units may also take inventory in the course of an accounting period ("perpetual inventory-taking"). The provisions on taking inventory under other statutory provisions[27] are not hereby affected,

(2) Accounting units can carry out perpetual inventory-taking only of inventory being accounted for according to its kind, or according to the storage place, or according the person(s) being financially liable for such inventory, and further of tangible fixed assets which, due to their function in the accounting unit concerned, are constantly moved without having any permanent location. The day of such inventory-taking is determined by the accounting unit itself. Each kind of inventory and the said tangible assets must be subject to inventory-taking at Ieast once in an accounting period.

(3) Accounting units must keep evidence of inventory-taking of all their assets and Iiabilities for a period of five years after it is carried out.

## Section 30
## Methods of Inventory-taking (Stocktaking)

(1) Accounting units shall ascertain the actual position of their assets and Iiabilities by taking inventory, which is either:

(a) physical inventory-taking of tangible assets, and possibly also of intangible assets; or
(b) book reconciliation in respect of Iiabilities and receivables, and possibly also of other property items in respect of which it is not feasible to carry out physical inventory-taking.

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[27] e.g. section 31 of Government Decree No. 108/1994 Coll., implementing the Labor Code, as amended

Accounting units shall record the actual position of their assets and liabilities in inventory lists.

(2) Inventory lists shall be conclusive accounting records which must contain:

(a) the facts pursuant to subsection (1), so that it is possible *to* determine explicitly the actually ascertained assets and Iiabilities;

(b) a signature record of the person responsible for ascertaining the facts pursuant to (a) and a signature record of *the* person responsible for the inventory-taking;

(c) the method of ascertaining the actual position of assets and Iiabilities;

(d) the valuation of the assets and Iiabilities at the close of inventory-taking, also for the purposes pursuant *to* section 26(3);

(e) the time when the inventory-taking commenced and the time when it ended.

(3) In the case of perpetual inventory-taking, the inventory lists pursuant to subsection (2) can be replaced by a conclusive accounting record on the carrying out of the physical inventory-taking and the accounting for any differences ascertained during such inventory-taking.

(4) If physical inventory-taking of tangible assets cannot be carried out at the close of the balance-sheet day, it can be carried out in the course of the last four months of the accounting period concerned, or in the first month of the subsequent accounting period. It must prove the position of the tangible assets at the close or the balance-sheet day by showing the actual position of the inventory, adjusted by increases and reductions of assets for the period between completion of the physical inventory-taking and the end of the accounting period, or for the period between the beginning of the subsequent accounting period and conclusion of the physical inventory-taking in the first month of such accounting period.

(5) Inventory differences shall mean differences between their actual position and their position entered in the books of account which cannot be proved by any method stipulated in this Act, and when:

(a) the actual position is lower than the position shown in the books of account, it shall be referred to as "shortage" or, in the case of cash and postal stamps, as "deficit";

(b) the actual position is higher than the position shown in the books of account, it shall be referred to as " surplus".

(6) Accounting units shall book inventory differences in the accounting period for which the position of assets and Iiabilities is checked by inventory-taking.

## PART SIX
## THE ARCHIVING OF ACCOUNTING RECORDS

### Section 31
### Periods for Archiving Accounting Records

(1) Accounting records used for the purposes of accounting must be archived by accounting units for a period set out in subsection (2) or (3). Unless this Act prescribes otherwise, the handling of accounting records shall be subject to other statutory provisions[28].

(2) Unless otherwise provided for in section 32, accounting records shall be archived as follows:

(a) financial statements and the relevant annual report, for a period of ten years as of the end of the accounting period to which they relate;

[28] Act on Archives, No. 97/1974 Coll., as amended

(b) accounting vouchers, books of account, depreciation policies, inventory lists, lists of accounts and summaries, for a period of five years as of the end at the accounting period to which they relate;

(c) accounting records by which accounting limits prove the form of their accounting [section 33(2)], for a period of five years as of the end of the accounting period to which they relate.

(3) The duties connected with the archiving of accounting records, as well as the duties pursuant to section 33(3), shall pass from the accounting units referred to in:

(a) section 1(2)(a) to (c) to their Iegal successor, and if there is none, then to the liquidator or bankruptcy trustee or another person (party) pursuant to other statutory provisions;

(b) section 1(2)(d), in the case of death, to the heir if such heir takes over the things, rights or other material values belonging to the accounting unit concerned; if the deceased person's estate or a part of such comprising things, rights or other property values belonging to the accounting unit falls to the state, the said duties shall pass to the competent state organizational component (agency) which shall notify the state archives accordingly .

(4) In instances which are not stated in subsection (3), an accounting unit pursuant to section 1(2)(h), and (c) before its dissolution and an accounting unit pursuant to section 1(2), (b), (d) to (h) before extinguishment of its duty to keep accounting shall ensure fulfillment of the duty relating to archiving accounting records and prove that the state archives have been notified of compliance with this duty.

## Section 32
## Specific Periods for Archiving Accounting Records

(1) Where accounting units use accounting records not only for the purpose pursuant to section 31 (1) but also for other purposes, in particular for purposes relating to criminal

proceedings, measures against money-laundering, administrative proceedings, civil judicial proceedings, tax proceedings or special proceedings concerning the destruction of certain documents, or for the purposes of social security, general health insurance or copyright protection, after expiry of the archiving periods pursuant to section 31(2), the accounting units shall so proceed as to ensure compliance with the requirements ensuing from the use of accounting records for such other purposes; in cases in which the accounting units use their accounting records for such purposes, all the provisions of this Act on accounting records shall similarly apply.

(2) An accounting unit can use us its accounting records in particular payroll lists (wage sheets), documents used for tax purposes and other documents pursuant to other statutory provisions. Such documentation must meet the requirements which this Act prescribes for accounting records. The accounting unit shall archive such documentation for u period pursuant to section 31 (2) according to the function of the said documentation in accounting, unless subsection (1) applies.

(3) Accounting vouchers and other accounting records relating to warranty periods or warranty claim-settling proceedings shall be archived by the accounting units for the whole duration of the said periods or proceedings; accounting records relating to unpaid receivables or outstanding liabilities shall be archived until the end of the year following the year in which they are paid or fulfilled.

(4) Sub-Iedgers of receivables and commitments, accounting vouchers and other accounting written documentation relating to the counting unit's direct relations with foreign countries or nationals before 1 January 1949, as well as financial statements relating to the transfer of property to other Iegal or natural persons, curried out under other statutory provisions[29], shall be archived until the Ministry of Finance (hereafter only "the Ministry") gives consent, either of its own initiative or at the request of the accounting unit concerned, for such documents to be discarded.

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[29] e.g. Act on Conditions of State-owned Properly Transfer to Other Persons, No. 92/1991 Coll., as amended

PART SEVEN

JOINT, TRANSITIONAL AND FINAL PROVISIONS

## Section 33

## Accounting Records

(1) An accounting record pursuant to section 4(10) must enable to keep accounting pursuant to this Act. For the purposes of this Act, the information contained in an accounting record shall be regarded as the content of such record and the specific manner of recording this information shall be referred to as "the form of an accounting record".

(2) An accounting record may be in written form or in technical form. For the purposes of this Act:

(a) an accounting record is regarded as being in written form when it is made by hand, typewriter, a printing or reprographic technique or by the printer of data-processing equipment and its content is legible for a natural person;

(b) an accounting record is regarded as being in technical form if it is made electronically, optically or in another manner not pursuant to (a) and which enables its conversion into a form in which the content of this accounting record is legible for an individual.

(3) An accounting unit may convert an accounting record from one form into the other. In this case, it shall ensure that the content of an accounting record in its new form is identical with the content of the accounting record in its original form. Compliance with this duty shall be regarded as proven when the accounting unit presents a specific accounting record in its original form and in its new form and their content is identical; compliance with this duty may also be proved by the accounting unit in another manner if no doubts about it are raised by any of the persons using the converted record. When proving compliance with the duty pursuant to the second sentence concerning accounting records that are not indicated by a destruction mark or are not (special) archive documents under other statutory provisions[28], the

data carrier [section 4(10)] in its original form is not required to be presented. Each accounting unit must have at its disposal those accounting records by which it supports the form in which it keeps accounting.

(4) An individual accounting record may comprise two or more partial accounting records. All the provisions on accounting records pursuant to this Act shall apply to each individual accounting record, including partial accounting records as well as a cumulative accounting record resulting from the aggregation of accounting records.

(5) Unless this Act expressly provides for otherwise, all forms of an accounting record shall be equal; the contents of accounting records and their alterations shall have the same consequences, irrespective of whether they are in the form pursuant to subsection (2)(a) or (2)(b).

(6) Accounting units may also keep their accounting records in a form in which their content is illegible without subsequent technical adjustment; in this case, the accounting unit must have the technical equipment, carriers and software [section 4(10)] which enables conversion of the accounting records into a form which will be legible for all individual. For the needs of an auditor verifying financial statements (section 20), their publication (section 21a), and for the needs of "authorities pursuant to section 37(3), accounting units are obliged to make it possible for the authorized persons, at their request, to select certain accounting records and familiarize themselves with their content in such form. Accounting units shall be under this duty for the period for which they must keep their accounting or archive their accounting records. This shall not affect the determination of the duty that is based on some specific agreement or contract (Note 30).

(7) In proceedings on matters concerning accounting or based on accounting, conclusive accounting records (section 33a) which meet the requirements of this Act can be used as evidence.

(8) Accounting units shall ensure the protection of accounting records, their content, the relevant technical equipment, data carriers and software against the following: misuse, damage, destruction, unauthorized alteration or unauthorized access, as well as their loss or misappropriation.

## Section 33a
## Conclusiveness of Accounting Records

(1) Under this Act, only the following shall be regarded as a conclusive accounting record:

(a) an accounting record whose content is proved by comparison with the fact (event, transaction) which this record reflects;

(b) an accounting record whose content is proved by the content of other conclusive accounting records;

(c) an accounting record transmitted in a manner which complies with the requirements pursuant to section 34; or

(d) an accounting record which concerns exclusively facts (events) within one accounting unit and which is provided with a signature transcript of the person authorized and responsible in accordance with subsection (9).

(2) If an accounting unit ascertains that the content of a particular accounting record does not correspond to the facts (events, reality), from such time the accounting unit must consider this record as inconclusive, even if the record is in compliance with the provisions of subsection (1)(b) to (d).

(3) For the purpose of conclusiveness, an accounting unit shall transmit its accounting records outside its premises only in the manner pursuant to subsection (1)(c). An accounting record, which is determined for transmission must bear a signature (in own hand) or electronic signature pursuant to another Act[30a] or a similarly conclusive accounting record in a technical form. When an accounting record is not signed before it is handed over for transmission, it must be signed no later than the start of its transmission. In addition to the manner pursuant to

subsection (1)(d), an accounting unit can make use of the manner pursuant to subsection (1)(c) when accounting records are transmitted within this accounting unit.

(4) A signature record shall be an accounting record the content of which is either signature in own hand or electronic signature pursuant to another Act[30a] or a similarly conclusive accounting record in a technical form. The electronic signature or a similarly conclusive accounting record shall be considered equal and either of them may be used where a handwritten signature (i.e. signature in own hand) is required.

(5) Appending a signature record shall mean either signing an accounting record which is in written form by own hand or providing an accounting record which is in technical form with the relevant electronic signature pursuant to another Act[30a] or by similarly conclusive accounting record in a technical form.

(6) An accounting record in written form with an appended handwritten signature which corresponds to the signature specimen provided by the accounting unit concerned shall be considered to be conclusive pursuant to subsection (1)(d), regardless of whether it contains exclusively facts related to such accounting unit.

(7) An identification record shall mean an accounting record [that is not a signature record pursuant to subsection (4)] which is appended to another accounting record:

(a) automatically by technical equipment [section 4 (10)], or

(b) by an individual (natural person) responsible in accordance with subsection (9), and which enables the unambiguous determination of the technical equipment used or the relevant individual.

(8) Two or more signature records or identification records can be appended to one accounting record.

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[30a] Electronic Signature Act, No. 227/2000 Coll., as amended

(9) An accounting unit may use its internal regulations (rules) to regulate the authorization, duties and responsibility of persons in the accounting unit in respect of the manner of appending their signature record or identification record so that the responsibility of individual persons for the content of any particular accounting record can be clearly determined from the appended signature record or identification record.

## Section 34
## Transmission of Accounting Records

(1) An accounting record can be transmitted only by means of an information system or in another manner which meets the requirements for conclusiveness, protection and security corresponding to the nature of the transmitted information pursuant to other statutory provisions[31].

(2) The requirements for conclusiveness and other requirements pursuant to subsection (1) are also met if transmission of an accounting record is effected by a third party (person), other than the accounting unit or units concerned, provided that such third party (person) meets the requirements pursuant to other statutory provisions[31]

## Section 35
## Corrections and Other Provisions on Accounting Records

(1) Corrections made to accounting records cannot result in them being incomplete, inconsistent, incorrect, incomprehensible or unclearly arranged.

(2) If an accounting unit ascertains that some of its accounting records are incomplete, inconclusive, incorrect or incomprehensible, it shall correct them in a manner pursuant to subsection (3) without undue delay.

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[31] e.g. sections 17 to 20 of the Commercial Code; sections 38 and 39 of the Banking Act; Postal Services Act, No. 2912000 Coll.; Telecommunications Act, No. 151/2000 Coll.; Act on Protection of Personal Data; Act on Protection of Official Secrets; Decree No. 56/1999 Coll. on ensuring the safety of information systems handling official secrets, their certification and the requisites of the certificate

(3) Corrections must be made in such a manner that it is possible to identify the person responsible for each correction, determine the time when the correction was made and ascertain the content of the corrected accounting record before and after its correction.

(4) The time shall be recorded in the accounting record with such precision as to avoid uncertainty in determining its timing and consequently uncertainty ill determining the content of accounting events.

(5) Unless the provisions of section 33(6) apply, accounting records which are illegible shall be regarded as if they were not kept by accounting units.

(6) If accounting records are lost, misappropriated, destroyed, or damaged to such an extent that their content is changed due to such damage, the accounting unit concerned must take steps to restore their conclusiveness.

**Section 36**
**Czech Accounting Standards**

(1) For the purpose of harmonizing the accounting procedures used by accounting units, the Ministry shall ensure the preparation and issue of Czech Accounting Standards (hereafter only "standards"). The preparation and issue of such standards can be based on this Act’s provisions of accounting records. The standards shall contain a description of the accounting methods or procedures; the content of the standards may not be inconsistent with the provisions of this Act and other statutory provisions or circumvent their purpose. The application of the standards by accounting units shall be regarded as compliance with the provisions of accounting methods pursuant to this Act. The rules for the preparation and issue of the standards may be specified by the Ministry in implementing statutory provisions. The issue of the standards shall be promulgated in the Financial Bulletin. The Ministry shall keep a register of the standards issued.

(2) The Ministry may conclude a contract with a legal entity, selected by public tender, to draw up the standards.

(3) The Ministry may issue special standards, different from the standards pursuant to subsection (1), for the armed forces, armed security corps and intelligence agencies due to the special characteristics of their assets (property). Such standards and their issue shall not be made public.

**Section 37**
**Sanctions**

(1) A tine shall be imposed on such accounting unit which:

(a) fails to keep accounting, or fails to keep accounting as of the day determined pursuant to section 4(1) to (7),

(b) fails to draw up its financial statements or fails to prepare its annual report, or fails to prepare its financial statements or annual report at the day determined pursuant to section 19(1),

(c) fails to draw up its financial statements or annual report in accordance with international accounting standards (International Financial Reporting Standards) although this duty is prescribed to the accounting unit by this Act,

(d) draws up incomplete financial statements,

(e) fails to have its financial statements or annual report audited although this duty is prescribed to the accounting unit by this Act,

(f) fails to make public its financial statements or annual report in the way Iaid down in this Act,

(g) breaches the duty to archive accounting records,

(h) discloses false or grossly distorted data in its accounting records and thus causes that its financial statements or annual report gives a distorted representation of (i.e. misrepresents) the object of accounting,

(i) keeps inappropriate accounting,

and such fine shall be imposed up to 6% of the total assets value in the case of unlawful conduct pursuant to (a) to (c), or up to 3% of the total assets value in the case of unlawful conduct pursuant to (d) to (i).

(2) A fine of up to 3% of the total assets value shall be imposed on any consolidating accounting unit which:

(a) fails to draw up its consolidated financial statements or fails to prepare its consolidated annual report or fails to prepare the consolidated financial statements or consolidated annual report at the day determined pursuant to section 23(2),

(b) fails to draw up its consolidated financial statements or fails to prepare its consolidated annual report in accordance with international accounting standards (International financial Reporting Standards) although this duty is prescribed to the accounting unit by this Act,

(c) draws up incomplete consolidated financial statements,

(d) fails to have the consolidated financial statements audited, or

(e) fails to make public the consolidated financial statements or the consolidated annual report.

(3) Where, for the purposes of assessing a fine for unlawful conduct pursuant to subsection (1) and/or subsection (2), the total assets value cannot be established from the financial statements for the accounting period in which a statutory duty was breached, the total assets value from the financial statements for the immediately preceding accounting period shall be used. If even such total assets value cannot be established from the financial statements, the authority dealing with such breach of the statutory duty shall determine the total assets value by a qualified estimate.

(4) In assessing a particular fine to be imposed on a certain accounting unit, consideration is given to the gravity of the accounting unit's unlawful conduct, its consequences and the circumstances under which the duty was breached.

(5) An accounting unit's liability for its unlawful conduct (breach of duty) shall terminate if the relevant proceedings are not initiated within one year of the day when the competent authority learns of the said breach, however latest within three years since the breach.

(6) Compliance with the duties prescribed by this Act shall be checked and tines pursuant to subsections (1) and (2) shall be imposed, in first instance, by the competent inspection authority concerned with inspection activity under other statutory provisions[32] and by the financial office concerned with tax administration[34].

(7) Fines shall be collected and exacted by the Iocally competent financial office that shall thereby proceed pursuant to another Act.

(8) The decision imposing a certain fine can be enforced within five years after expiry of the time-limit determined for payment of such tine.

(9) Fines shall be revenues of the state budget.

## Section 37a
## Fines Imposed to Exact Duty Compliance

The administrative authority pursuant to section 37(6) may impose on a particular accounting unit the duty to rectify the unlawful situation caused by its unlawful conduct pursuant to section 37(1) or (2). The aggregate of all fines imposed on such an accounting unit in order to make it comply with the said duty may not exceed 6 % of the total assets value.

[32] Act on Financial Authorities, No. 531/1990 Coll., as amended; State Inspection (Auditing) Act, No. 552/1991 Coll., as amended
[34] Administration of Taxes Act

## Section 37b
## Authorizing Provisions

The Ministry shall issue decrees implementing the provisions of sections 4(8), 24(4) and (5), 28(1) and 36(1).

## Section 38
## Temporary measures

(1) In the 1992 accounting period, accounting units shall apply of accounts, accounting procedures and valuation methods of assets and Iiabilities in their books of account, and prepare their financial statements, in accordance with hitherto applicable Iegislation.

(2) As of the day on which this Act comes into force, the Federal Ministry of Finance shall cease to apply the provisions of sections 4(2), 14 and 35(3) of Act No. 21/1971 Coll. on the standardization of socio-economic information, as amended by Act No. 128/1989 Coll.

## Section 38a

Civic associations and their organizational formations[8] if they have the status of a legal entity, churches and religious associations[8a] or ecclesiastical institutions being an ecclesiastical legal personality[9] and associations of hunting license holders[10] that on the date December 31, 2004 kept simplified accounting may keep accounting based on act no. 563/1991 Coll. on accounting as amended by acts no. 117/1994 Coll., no. 227/1997 Coll., no. 492/2000 Coll., no. 353/2001 Coll. and no. 463/2003 Coll. until January 1, 2007; till then act no. 563/1991 Coll. on accounting and its implementation regulations regulating simplified accounting in wording effective on 31 December 2003 shall be applied.

## Section 39

[8] section 6(2)(e) of the Act on Citizens' Associations, No. 83/1990 Coll., as amended

[8a] section 6(1) of the Act on Religious Freedom and on the Status of Churches and Religions Associations, No. 31/2002 Coll., as amended

[9] section 16(1) of the Act on Religious Freedom and the Status of Churches and Religious Associations

[10] section 19 of the Game-keeping Act, No. 449/2001 Coll., as amended

## Repealing Provisions

The following are hereby repealed:

1. Czechoslovak Government Decree on the information system to be used by organizations, No. 136/1989 Coll.;

2. Decree of the Federal Ministry of Finance on taking-inventory of economic resources, No.155/1971 Coll.;

3. Decree of the Federal Ministry of Finance on costing, No. 21/1990Coll.;

4. Decree of the Federal Ministry of Finance on accounting, No. 23/1990Coll.

## Section 40
## Effective Date

This Act comes into effect on 1 January I 992.