

# **SLOVENIAN ACCOUNTING STANDARDS 2016**

## **INTERPRETATIONS**

---

Interpretation 1 to Slovenian Accounting Standard 2 (2016)

### **EMISSION ALLOWANCES**

Interpretation 1 to Slovenian Accounting Standard 3 (2016)

### **PRESENTATION AND VALUATION OF DEBT FINANCIAL INSTRUMENTS THAT MAY TURN INTO OWNERSHIP ONES (MEZZANIN INVESTMENT) UNDER CERTAIN CONDITIONS**

Interpretation 1 to Slovenian Accounting Standard 5 (2016)

### **INPUT VALUE ADDED TAX RECEIVABLES**

Interpretation 1 to Slovenian Accounting Standard 11 (2016)

### **ACCOUNTING PRESENTATION OF INITIAL COIN OFFERINGS**

Interpretation 1 to Slovenian Accounting Standard 15 (2016)

### **ACCOUNTING PRESENTATION OF GOVERNMENT GRANTS DUE TO COVID-19**

Pursuant to Point 4 of the Introduction to the 2016 Slovenian Accounting Standards (Official Journal of the Republic of Slovenia, No. 95/15), the Council of Experts of the Slovenian Institute of Auditors, at its meeting of 21 June 2016, adopted the following

## **Interpretation 1 to Slovenian Accounting Standard 2 (2016)**

### **EMISSION ALLOWANCES**

An organisation to which the state, under the Environmental Protection Act (Official Gazette of the RS, No. 39/06 – official consolidated text, 49/06 – Meteorological Activities Act, 66/06 - Decree No. US, 33/07 – Spatial Planning Act, 57/08 – Financing of Municipalities Act -1A, 70/08, 108/09, 108/09 – Spatial Planning Act A, 48/12, 57/12, 92/13, 56/15, 102/15 and 30/16) distributes emission allowances, shall recognise them under intangible assets (proposed account 005 - Other intangible assets (including emission allowances)) in the amount of EUR 1 per emission allowance in accordance with SAS 2, and present deferred revenue from government grants (proposed account 966 - Government grants received) for emission allowances received in accordance with SAS 11.14.

The organisation shall recognise emission allowances purchased or otherwise acquired to fulfil its obligations to the state to submit emission allowances under the Environmental Protection Act as intangible assets (proposed analytical account 0051 - Emission allowances purchased) at cost and recognise liabilities to suppliers in the same amount. If the recoverable amount of the emission allowances at the end of the financial year is lower than their carrying amount, the organisation shall revalue the carrying amount of the emission allowances due to impairment in accordance with SAS 17.

For the value of the emissions produced at the end of the financial year, the organisation shall create a liability to the state for the submission of emission allowances under the Environmental Protection Act (proposed account 266) in the amount of EUR 1 per emission allowance and recognise operating expenses (proposed account 481). At the same time, it shall reduce deferred revenue from government grants (proposed account 966) and recognise operating revenue (proposed account 768) in the amount of EUR 1 per emission allowance. If the organisation has purchased emission allowances that are recorded under intangible assets (in proposed analytical account 0051), it shall reduce the value of the purchased allowances at EUR 1 (proposed analytical account 0051) by the missing number of emission allowances at the end of the financial year and increase the value of the allowances (proposed account 0050) at EUR 1. At the same time, it shall reduce the remaining carrying amount of the purchased emission allowances on a pro rata basis using the average price method (proposed analytical account 0051) and recognise operating expenses (proposed account 481).

The obligation to the state for the submission of emission allowances under the Environmental Protection Act is fulfilled by the organisation by submitting the emission allowances.

Whenever the organisation does not have sufficient emission allowances at the end of the financial year to fulfil its obligation to the state to submit emission allowances under the Environmental Protection Act, it shall additionally accrue operating expenses (proposed account 481) in the amount that best reflects the fair value of the emission allowances at the end of the financial year and recognise accrued costs or expenses (proposed account 290).

Whenever an organisation sells emission allowances whose number exceeds its obligation to the state to submit emission allowances under the Environmental Protection Act, it shall recognise operating revenue for the net amount of emission allowances sold.

Whenever an organisation purchases emission allowances for resale, rather than to meet its obligation to the state to submit emission allowances under the Environmental Protection Act, it shall recognise them under intangible assets (proposed analytical account 0051). The emission allowances purchased for resale are only formally recorded under intangible assets, but are investment property in substance. Gains or losses on the sale of emission allowances under this item shall be recognised as financial revenue or financial expenses. Emission allowances purchased for resale shall be measured at cost.

In the annual financial report, the organisation shall disclose the number of emission allowances acquired (separately for allowances acquired free of charge from the state and allowances purchased to fulfil an obligation to the state to submit allowances under the Environmental Protection Act or allowances purchased for resale), the number of allowances disposed of (separately for allowances submitted to the state and allowances sold), and the number of (the balance of) allowances at the reporting date, and the value that best reflects the fair value of the emission allowances at the reporting date. An organisation shall disclose separately the amount of operating expenses for emission allowances, the amount of operating revenue from emission allowances sold, and the amount of financial revenue and financial expenses from trading in emission allowances during the reporting period.

This Interpretation shall be effective on the first day after its publication in the Official Journal of the Republic of Slovenia and shall be applied for accounting under SAS 2016.

Pursuant to Point 4 of the Introduction to the 2016 Slovenian Accounting Standards (Official Journal of the Republic of Slovenia, No. 95/15), the Council of Experts of the Slovenian Institute of Auditors, at its meeting of 21 June 2016, adopted the following

## **Interpretation 1 to Slovenian Accounting Standard 3 (2016)**

### **PRESENTATION AND VALUATION OF DEBT FINANCIAL INSTRUMENTS THAT MAY TURN INTO OWNERSHIP ONES (MEZZANIN INVESTMENT) UNDER CERTAIN CONDITIONS**

Financial assets that are debt financial instruments and that can be converted into equity financial instruments under certain conditions are carried at amortised cost by the lender when acquired and as liabilities for a loan by the borrower.

When, on the basis of the requirements met, such a debt financial instrument is converted into an equity financial instrument, the lending organisation shall reclassify it from the held-to-maturity category to the available-for-sale category at its amortised cost at the date of reclassification. A loss already recognised in profit or loss is not reversed. The amortised cost of such a financial instrument at the date of reclassification becomes its new cost.

At the date of reclassification, the borrower shall reclassify such a financial liability from a debt financial instrument to an equity financial instrument at its amortised cost at the date of reclassification.

This Interpretation shall be effective on the first day after its publication in the Official Journal of the Republic of Slovenia and shall be applied for accounting under SAS 2016.

Pursuant to Point 4 of the Introduction to the 2016 Slovenian Accounting Standards (Official Journal of the Republic of Slovenia, No. 95/15), the Council of Experts of the Slovenian Institute of Auditors, at its meeting of 21 June 2016, adopted the following

## **Interpretation 1 to Slovenian Accounting Standard 5 (2016)**

### **INPUT VALUE ADDED TAX RECEIVABLES**

Increases or decreases in input value added tax receivables due to the difference between the provisional and actual deductible portion of input value added tax under the Value Added Tax Act (Official Journal of the Republic of Slovenia No. 13/11 – official consolidated text, 18/11, 78/11, 38/12, 83/12, 86/14 and 90/15) shall be recognised as a direct increase or decrease in the individual cost of assets (goods) or services.

Notwithstanding this, an organisation may elect to increase other revenue in accordance with SAS 15.10 or other expenses in accordance with SAS 14.9 by the difference between the provisional and actual deductible portion of input value added tax, except for property, plant and equipment and intangible assets, where the cost of property, plant and equipment and intangible assets purchased in the year shall be increased or decreased at 31 December by the amount of the difference.

This Interpretation shall be effective on the first day after its publication in the Official Journal of the Republic of Slovenia and shall be applied for accounting under SAS 2016.

Pursuant to Point 4 of the Introduction to the 2016 Slovenian Accounting Standards (Official Journal of the Republic of Slovenia, No. 95/15, 74/16 and 23/17), the Council of Experts of the Slovenian Institute of Auditors, at its meeting of 17 October 2018, adopted the following

## **Interpretation 1 to Slovenian Accounting Standard 11 (2016)**

### **ACCOUNTING PRESENTATION OF INITIAL COIN OFFERINGS**

Initial Coin Offerings (ICOs) are usually announced by organisations to raise legal tenders and other funds, including cryptocurrencies, in exchange for the tokens issued to finance a specific business project of an organisation. As a rule, a token-issuing organisation presents its plans for the tokens in a white paper setting out the main features of the project to be financed by the tokens issued, including an indication what token purchasers can expect from the project, how much funding is needed to implement the project, how many tokens the issuing organisation will keep for itself, what type of funds are to be paid in exchange for the issue and how long the project is expected to last.

Currently, the offering or issuance of tokens in an ICO process (ICO tokens) is an unregulated and therefore an extremely high-risk transaction. ICO tokens are neither an equity instrument nor a fully legally binding obligation on the issuer, but are usually at least partly an obligation of the issuer.

As regards the accounting related to the issuance or purchase of ICO tokens it is under the 2016 SASs required to rely, in particular, on the following SASs:

#### **SAS 11 - Accruals and deferrals**

Accruals and deferrals may be either deferred costs and accrued revenue or accrued costs and deferred revenue. The former can be considered receivables in a broader sense, as they differ from both cash and property, and the latter liabilities in a broader sense, as they in each case differ from equity as liabilities to owners. They include deferred revenue and costs or expenses, accrued costs or expenses and accrued revenue as specific types of receivables or liabilities. Accruals and deferrals are receivables, other assets and liabilities that are expected to be incurred within the period for which they are created, whose timing is probable and the amount reliably estimated. Receivables and liabilities relate to known or unknown legal or natural persons to whom real receivables and liabilities will then arise, and assets are the goods or services that will be charged to them. Deferred costs and accrued revenue comprise deferred costs or deferred expenses and accrued revenue, which are presented separately and broken down into major classes. Accrued costs and deferred revenue comprise accrued costs or accrued expenses and deferred revenue, which are presented separately and broken down into major classes. Deferred costs or deferred expenses are amounts that are not yet charged to operations and do not yet affect profit or loss at the time they are incurred; nor are they included in the cost of property, plant and equipment or inventories, but will only be accrued as costs and allocated to the appropriate cost centres at a later date, or will affect profit or loss as expenses at a later date, or will be included in the cost of property, plant and equipment or inventories at a later date. Deferred costs or deferred expenses are also incurred on the purchase of certain services and in certain other cases. Deferred revenue arises when services that have already been charged or even paid for have not yet been rendered, but as a result there are no normal commitments to customers that would be treated as advances received.

## **SAS 9 – Liabilities**

Debts are recognised liabilities relating to own funds financing to be repaid or settled, mainly in cash. A debt is recognised as a liability in the books of account and the balance sheet if: (a) it is probable that the settlement of the debt will result in a decrease in the factors giving rise to the economic benefits; and (b) the amount required to settle the debt can be measured reliably. An obligation is what is required by certain norms, rules or regulations to be done or performed; as such, it is not necessarily subject to accounting treatment or to inclusion in the balance sheet. A liability is a legal relationship by virtue of which one of the parties is entitled to demand from the other a specific charge / levy, service; as such, it is subject to accounting treatment and inclusion in the balance sheet, but is not identical with a debt. A debt is what someone has to repay, to settle, especially in money.

## **SAS 15 - Revenue**

Revenue is recognised when an increase in economic benefits during the accounting period is associated with an increase in an asset or a decrease in a debt and the increase can be measured reliably.

An organisation shall recognise revenue from sales when it meets a contractual obligation. A contractual obligation is a performance commitment by an organisation to deliver or render contractually agreed (promised) goods or services to a customer. The performance obligation is discharged by the transfer of the contractually agreed goods or services to the customer.

For any performance obligation that is met gradually, revenue shall be recognised gradually in accordance with the organisation's progress towards the full discharge of such an obligation. Revenue shall be recognised gradually only if progress towards the full discharge of the performance obligation can be reasonably measured, that is, when the organisation has reliable information necessary to apply the appropriate method of measuring progress. Whenever an organisation cannot reasonably measure the progress towards the full discharge of a performance obligation but expects to reimburse the costs incurred in discharging that obligation, it may recognise this revenue only to the extent of the costs incurred.

## **Accounting Treatment of Cryptocurrencies and ICO Tokens under SAS 2016**

An issuer of ICO tokens shall present cash and other assets raised by issuing ICO tokens by each class of assets raised.

Assets paid in bitcoins and other cryptocurrencies shall be initially recognised at the value of the assets paid at the closing date as a special class of financial assets.

After initial recognition, an organisation may elect to measure and account for each separately acquired cryptocurrency or cryptocurrencies at fair value through profit or loss or to measure and account for them at cost. An organisation shall not change the chosen initial measurement and accounting for a cryptocurrency or cryptocurrencies until derecognition.

An organisation shall disclose the chosen accounting policy for measuring and accounting for cryptocurrencies in an appendix to the financial statements.

The issuer shall present the effect of the paid ICO tokens according to the purpose it has identified in its plans relating to them. The issuer shall present operating revenue from the ICO tokens paid in to the section that it has indicated in the white paper that the assets raised by the issue of the tokens

are intended to cover costs already incurred in relation to the project up to the date of issuance of the ICO tokens.

The difference up to the full paid-up emission value of the ICO tokens issued shall be shown by the issuer in a separate line item in the balance sheet:

**Accrued costs and deferred revenue arising from the ICO tokens issued**, which is divided into:

- short-term or long-term operating or financial liabilities arising from ICO tokens and/or
- deferred and accrued revenue from ICO tokens issued.

The issuer shall verify the reality and justification of their existence at each balance sheet date.

Under accrued costs and deferred revenue arising from the ICO tokens issued, the issuer shall present a liability to the section that it has indicated in the white paper that it will use the assets raised by the issue of the tokens to meet its obligations set out in its plans presented in the white paper. The issuer shall present the difference to any resulting accrued costs and deferred revenue under the accrued and deferred revenue from token issued.

Accrued costs and deferred revenue from the ICO tokens issued shall be converted to liabilities from ICO tokens when the conditions for their recognition are met. They are settled and extinguished when they are fulfilled.

Deferred and accrued revenue from the ICO tokens issued shall be extinguished and eliminated to revenue no later than two years after their issue.

Each issuer of ICO tokens is required to disclose in an appendix to the financial statements at least the following relating to ICO tokens:

- the amount and type of the ICO tokens issued;
- the most relevant features of the ICO tokens as set out in the presentation book, with a mandatory identification of the obligational – legal liabilities and obligations arising from the ICO tokens issued;
- a schedule showing the accounting treatment of the ICO tokens issued at the time of issue and any changes up to the balance sheet date.

The purchaser of ICO tokens shall present the purchased tokens in accordance with the purpose specified by the issuer in its plans relating to them and, as a rule, presented in a whitepaper. After initial recognition, purchased ICO tokens may be measured only at cost.

Purchased ICO tokens are presented in a separate line item:

**Deferred costs and accrued revenue arising from purchased ICO tokens**

At each balance sheet date, the purchaser shall review the reality and justification of their existence and reverse deferred costs and accrued revenue, in part or in full, against expenses if there is no sufficient and satisfactory evidence of their continuing justification or of their presented value of their presentation.

Deferred costs and accrued revenue arising from the ICO tokens purchased are converted to operating or financial receivables when the right to require the issuer to meet its obligations under the ICO tokens issued arises. The resulting operating or financial receivables shall be extinguished upon their



settlement. Deferred costs and accrued revenue arising from the purchased ICO tokens shall be transferred in full, but no later than two years after the purchase, to expenses when the purchaser has no receivables arising from the purchase of ICO tokens.

Each purchaser of ICO tokens is required to disclose, as a minimum, the following in an appendix to the financial statements in relation to the ICO tokens:

- the amount and type of the ICO tokens purchased;
- the most relevant features of the ICO tokens as set out in the presentation book, with a mandatory identification of the obligational – legal liabilities and obligations arising from the ICO tokens issued;
- a schedule showing the accounting treatment of the ICO tokens purchased at the time of their purchase and any changes up to the balance sheet date.
- the fair value of the ICO tokens.

This Interpretation shall be effective on the first day after its publication in the Official Journal of the Republic of Slovenia and shall be applied for accounting under SAS 2016.

Pursuant to Point 4 of the Introduction to the 2016 Slovenian Accounting Standards (Official Journal of the Republic of Slovenia, No. 95/15, 74/16, 23/17, 57/18 and 81/18), the Council of Experts of the Slovenian Institute of Auditors, at its meeting of 10 April 2020, adopted the following

## **Interpretation 1 to Slovenian Accounting Standard 15 (2016)**

### **ACCOUNTING PRESENTATION OF GOVERNMENT GRANTS DUE TO COVID-19**

Operating revenue is revenue from sales and other operating revenue related to products and services. SAS 15.5 (2019) specifies that other operating revenue related to products and services is subsidies, grants, recourses, offsets, premiums and similar revenue. Other operating revenue includes also government grants.

Government grants are amounts received by an organisation from the state or a local community directly from the budget, through the bodies of the state or local community, or through other budget users for specified purposes. Government grant is also sometimes referred to as a grant or subsidy. Government grants shall be recognised when there is reasonable assurance that the organisation has fulfilled the conditions for it and that the government grant will be also received.

Organisations that will be awarded a grant under the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy or any other law or regulation any government grant from the state or local community directly from the budget, through government bodies or bodies of the local community or through other budget users to contain or eliminate the consequences of the COVID-19 epidemic, have to present such government grant under other operating revenue within the group of accounts 76 - Operating revenue. In accordance with the recommended uniform chart of accounts for companies, sole proprietors - individuals, cooperatives, non-profit organisations - legal entities governed by private law and societies and disabled persons organisations, the organisations shall present all government grants obtained to contain or eliminate the consequences of the COVID-19 epidemic in a separate analytical account within account 768 with the heading Other revenue related to products and services (government grants due to COVID-19).

In accordance with SAS 21.16 (2016), the interpretations to the income statement as required by the Companies Act are mandatory for all organisations. In accordance with SAS 21, all organizations are required to separately disclose the nature and the amount of revenue and expenses of significant amounts, if not presented elsewhere.

Due to the emergency situation of the COVID-19 epidemic, revenue from government grants to contain or eliminate consequences of COVID-19 are considered revenue of significant value and, therefore, all organizations shall separately disclose their nature (type) and amount in all the notes to the financial statements prepared for a financial year ending after 13 March 2020,

This Interpretation does not apply to government grants received for the acquisition of fixed assets.