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Ministry of Finance of the Republic of Azerbaijan

**NATIONAL ACCOUNTING STANDARD FOR  
COMMERCIAL ORGANISATIONS No. 1  
PRESENTATION OF FINANCIAL STATEMENTS**

## **OF NATIONAL ACCOUNTING STANDARD FOR COMMERCIAL ORGANIZATIONS No. 1**

### **PRESENTATION OF FINANCIAL STATEMENTS**

#### **GENERAL PROVISIONS**

1. This standard has been prepared in accordance with the Accounting Law of the Republic of Azerbaijan and is based on International Accounting Standard No.1 - Presentation of Financial Statements.
2. This standard is intended for improving the quality of financial statements presented in accordance with National Accounting Standards for Commercial Organizations by:
  - (a) Ensuring that financial statements that have been prepared in accordance with National Accounting Standards comply with each applicable accounting standard;
  - (b) Providing guidance on the structure of financial statements including minimum requirements for each primary statement, accounting policies and notes;
  - (c) Establishing practical requirements on issues such as materiality, going concern, the selection of accounting policies when no standard exists, consistency and the presentation of comparative information.
3. This standard should be applied, taking into account additional provisions contained in the Rules of Bookkeeping and also in Explanations and Recommendations on Application of National Accounting Standards for Commercial Organizations.
4. In the case of contradiction between regulatory and legal acts on accounting currently in force and this National Accounting Standard the standard will be applied.

#### **OBJECTIVE**

5. The objective of this standard is to prescribe the basis for presentation of general purpose financial statements that provide comparability both with the organisation's own financial statements of previous periods and with the financial statements of other organisations.

#### **SCOPE**

6. This standard shall be applied to the presentation of all financial statements which have been prepared in accordance with National Accounting Standards for Commercial Organizations.
7. This standard applies to commercial organisations, except public interest entities and subject of small entrepreneurship.
8. This standard applies to both the financial statements of enterprises and the consolidated financial statements of a group subject to the provisions of the relevant articles of the Accounting Law of the Republic of Azerbaijan.

## DEFINITIONS

9. The terms used in this standard have the following meanings:

**Enterprise** – is a type of commercial organization other than a public interest entity or subject of small entrepreneurship.

**Financial statements** – are the general purpose financial statements intended to meet the needs of users who are not in a position to demand reports tailored to meet their specific information needs.

**Accounting policy** – is the set of specific principles, bases, conventions, rules and practices adopted by an enterprise subject to its peculiarities to prepare and present financial statements.

**Measurement Basis** – is methodology that is used for the determination of those monetary attributes of the assets, liabilities, income, expenses and equity on which they are reflected in financial statements.

**Operating cycle** - is the period between the acquisitions of materials entering into the production process and converting of outputs produced from these materials into cash or cash equivalents. .

**Asset** – is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.

**Liability** – is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

**Equity** – is the value of assets of the enterprise after deducting all its liabilities.

**Income** – an increase in economic benefits during the reporting period in the form of inflows or enhancements of assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from owners. Income encompasses principle income and other income.

**Principle income** –income that arises in the course of the ordinary activities of an enterprise and is classified under a variety of different headings including sales, fees, interest, dividends, royalties and rent. If it is probable that income arising from ordinary activities will recur regularly then such income is considered as principal.

**Other income** – income that does not arise regularly in the course of the ordinary activities of an enterprise and does not meet the definition of principal income. Other income may be reported through the Income Statement or the Statement of Changes in Equity in accordance with the relevant National Accounting Standard for Commercial Organizations.

**Expense** – is a decrease in economic benefits during the reporting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to owners.

**Principle expense** – is an expense that arises in the course of the ordinary activities of an enterprise and is classified under a variety of different headings including either by its nature or by its function.

**Other expenses** – is expense that does not arise regularly in the course of the ordinary activities of an enterprise and does not meet the definition of principal expense. Other expenses may be reported through the Income Statement or the Statement of Changes in Equity in accordance with the relevant National Accounting Standard for Commercial Organizations.

**Capital maintenance adjustments** – increase or decrease of the equity that consistent with definition of income or expenses but does not reported through Income statement in accordance with relevant capital maintenance concept.

**Equity contributions from owners** – increases in equity resulting from transfers from owners of their shares in company's capital.

**Distribution of equity to owners** – decreases in equity resulting from transfers to owners of their shares in company's capital and from distributions of net profit among them.

**Hedging** is an operation for insurance from losses arising against changing of value of assets and liabilities.

**Net basis for presentation** – is presentation subject to provisions of National Accounting Standards in financial statements of assets and liabilities, income and expenses, cash inflows and outflows in **net amount** resulted from offsetting one of them by another.

## PURPOSE OF FINANCIAL STATEMENTS

10. Financial statements are a structured **financial** representation of the financial position of and the transactions undertaken by an enterprise. The objective of general purpose financial statements is to provide information about the financial position, performance and cash flows of an enterprise that is useful to a wide range of users and also to financial statements' users in making economic decisions. To meet this objective, financial statements provide information about an enterprise's:
  - (a) Assets;
  - (b) Liabilities;
  - (c) Equity;
  - (c) Income and expenses,

- (d) Changes in equity;
- (e) Cash flows;
- (e) Accounting policies used in the preparation of the financial statements.

### **Fair Presentation and Compliance with National Accounting Standards**

11. Financial statements should present fairly the financial position, financial performance and cash flows of an enterprise.
12. The appropriate application of National Accounting Standards, with additional disclosures when necessary, results in financial statements prepared in accordance with fair presentation principle.
13. A fair presentation requires:
  - (a) selecting and applying accounting policies in accordance with paragraph 17 of this standard;
  - (b) presenting information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information; and
  - (c) providing additional disclosures when the requirements contained in National Accounting Standards are insufficient to enable users to understand the impact of particular transactions or events on the enterprise's financial position and financial performance.
14. An enterprise whose financial statements comply with National Accounting Standards should disclose that fact. Financial statements should not be described as complying with National Accounting Standards unless they comply with all the requirements of each applicable standard.
15. Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.
16. When in the extremely rare circumstances management concludes that compliance with a requirement in a standard would be misleading, and therefore that departure from a requirement is necessary to achieve a fair presentation, an enterprise should not violate the standard but should additionally disclose:
  - (a) that management has concluded that the financial statements can fairly present the enterprise's financial position, financial performance and cash flows only with an appropriate departure from the requirement of a National Accounting Standard;
  - (b) the standard from which the departure is needed, the nature of the departure, including the treatment that the standard would require, the reason why that treatment would be misleading in the circumstances and the treatment adopted; and

- (c) the financial impact of the departure on the enterprise's net profit or loss, assets, liabilities, equity and cash flows for each period presented.

## Accounting Policy

17. Management should select and apply an enterprise's accounting policies so that its financial statements comply with all the requirements of each applicable National Accounting Standard. Where there is no specific requirement related to accounting policy in National Accounting Standards, management should develop policies to ensure that the financial statements provide information that is relevant to the decision-making needs of users and reliable in that they:
- represent faithfully the results and financial position of the enterprise;
  - reflect the economic substance of events and transactions and not merely the legal form;
  - are neutral, that is, free from bias;
  - are prudent; and
  - are complete in all material respects
18. In the absence of a specific National Accounting Standard, management uses its judgement in developing an accounting policy that provides the most useful information to users of the enterprise's financial statements. In making this judgement, management considers:
- (a) the requirements and guidance in National Accounting Standards dealing with similar and related issues;
  - (b) the definitions, recognition and measurement criteria for assets, liabilities, income and expenses set out in the Conceptual Framework of National Accounting Standards; and
  - (c) accepted industry practices to the extent, but only to the extent, that these are consistent with (a) and (b) of this paragraph.
19. Where it is necessary to choose between accounting policies that satisfy the conditions in paragraph 18, management should select whichever of those accounting policies is judged by the management to be most appropriate to the enterprise's particular circumstances for the purpose of presenting fairly the financial position, financial performance and cash flows of an enterprise.

## UNDERLYING ASSUMPTIONS AND OVERALL CONSIDERATIONS

### Going Concern

20. An enterprise should prepare its financial statements on a going concern basis, unless:
- (a) the management have no realistic alternative but to liquidate the enterprise or cease trading ; or
  - (b) the management have intention to liquidate the enterprise or cease trading;

- (c) the enterprise is being liquidated or has ceased trading.

In such circumstances the enterprise may, if required, prepare its financial statements on a basis other than that of a going concern.

21. When preparing financial statements, management should make an assessment of an enterprise's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions which may cast significant doubt upon the enterprise's ability to continue as a going concern, those uncertainties should be disclosed. When the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the enterprise is not considered to be a going concern.

1. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, which should be at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case. When an enterprise has a history of profitable operations and ready access to financial resources, a conclusion that selected accounting policy for financial statements preparation is appropriate may be reached without detailed analysis.

In other cases, management may need to consider a wide range of factors surrounding current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate

### **Accrual Basis of Accounting**

23. An enterprise should prepare its financial statements, except for cash flow information, under the accrual basis of accounting.
24. Under the accrual basis of accounting, items are recognised as assets, liabilities, equity, income and expenses when they meet definitions and recognition criteria mentioned in Conceptual Framework.

### **Consistency of Presentation**

25. The presentation and classification of items in the financial statements should be retained from one period to the next unless:
- (a) a significant change in the nature of the operations of the enterprise or in result of enterprise financial statement's analysis become clear that other presentation or classification is more appropriate in terms of criteria of accounting policy selection and application stated in this standard.
- (b) a change in presentation is required by a National Accounting Standard.

26. A significant acquisitions or disposals of subsidiaries or other business units may be resulted in changes in enterprise's (group's) structure or presentation of financial statements. In such cases enterprise revises its financial statements only if:
- (a) the revised presentation provides information, which is fair and more relevant for financial statements' users;
  - (b) the revised structure is likely to continue for long-term perspective.

### **Materiality and Aggregation**

27. Each material item should be presented separately in the financial statements. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately.
28. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the notes.
29. In deciding whether an item or an aggregate of items is material, the nature and the size of the item are evaluated together. Depending on the circumstances, either the nature or the size of the item could be the determining factor. For example, individual assets with the same nature and function are aggregated even if the individual amounts are large. However, large items which differ in nature or function are presented separately.

### **Offsetting**

30. Assets and liabilities should not be offset except when offsetting is required or permitted by another National Accounting Standard for Commercial Organisations.
31. Items of income and expense should be offset when and only when:
- (a) a National Accounting Standard for Commercial Organisations requires or permits it; or
  - (b) other income, and related other expenses arising from the same or similar transactions and events that are not material.
32. The reporting of value of assets net of **valuation allowances** or accumulated depreciation is not offsetting.
33. Enterprise undertakes, in the course of its ordinary activities, transactions which do not generate revenue but which are incidental to the main activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or event, by netting any income with related expenses arising on the same transaction. For example:

- (a) other income and other expenses arising on the disposal of non-current assets are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses;
  - (b) expenditure that is reimbursed under a contractual arrangement with a third party is netted against the related reimbursement;
  - (c) extraordinary items may be presented net of related taxation and minority interest with the gross amounts shown in the notes.
34. Other income and other expenses arising from a group of similar transactions are presented on a net basis.
35. Other income and other expenses are, however, reported separately if their size, nature or incidence is such that separate disclosure is required by another National Accounting Standard for Commercial Organisations.

### **Comparative Information**

36. Unless a National Accounting Standard for Commercial Organisations permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements.
37. Comparative information should also be included in the narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. In some cases narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period.
38. When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified, if practicable to do so, to ensure comparability with the current period. If comparative amounts are reclassified enterprise shall disclose the following information:
- a) the nature of reclassification;
  - b) amounts of each reclassified item or groups(sub-groups) of items;
  - c) reason for reclassifying
39. When it is impracticable to reclassify comparative amounts, an enterprise should disclose the following information:
- a) reason for not reclassifying;
  - b) the nature of the changes that would have been made if amounts were reclassified.

## **FINANCIAL STATEMENTS**

### **Disclosure of Financial Information**

40. This standard uses the term disclosure in a broad sense, encompassing items presented on the face of each financial statement as well as in the notes to the financial statements. Disclosures required by other National Accounting Standards are made in accordance with the requirements of those standards. Unless this or another standard specifies to the contrary, such disclosures are made either on the face of the relevant financial statement or in the notes.

### **Components of Financial Statements**

41. A complete set of financial statements includes the following components:
- (a) balance sheet;
  - (b) income statement;
  - (c) changes in equity statement;
  - (ç) cash flow statement;
  - (d) accounting policies and explanatory notes.

### **Identification of Financial Statements**

42. Financial statements should be clearly identified and distinguished from other information in the same published document.
43. National Accounting Standards for Commercial Organisations apply only to the financial statements. They do not apply to information presented in enterprise's annual report or other documents.
44. Each component of the financial statements should be clearly identified. In addition, the following information should be prominently displayed, and repeated when it is necessary for a proper understanding of the financial statements presented:
- (a) The name of the reporting enterprise or other means of identification;
  - (b) The financial statements is prepared for the individual enterprise or for a group of enterprises;
  - (c) The reporting date or the period covered by the financial statements, whichever is appropriate to the related component of the financial statements;
  - (ç) The reporting currency; and
  - (d) The level of precision used in the presentation of figures in the financial statements.

45. Sometimes, financial statements are made more understandable by presenting information in thousands or millions of units of the reporting currency. This is acceptable as long as the level of precision in presentation is disclosed and relevant information is not lost.

### **Reporting Period**

45. Financial statements should be presented at least annually. When, in exceptional circumstances, an enterprise's reporting date changes and annual financial statements are presented for a period longer or shorter than one year, an enterprise should disclose, in addition to the period covered by the financial statements:
- (a) the reason for a period other than one year being used; and
  - (b) The fact that comparative amounts for the income statement, changes in equity, cash flows and related notes are not comparable.

### **Timeliness**

47. An enterprise shall present its annual financial statements and consolidated financial statements within 4 or 6 months after the end of the reporting period, respectively.

### **Responsibility for Financial Statements**

48. The board of directors and/or other governing body is responsible for the preparation, presentation and publication of its financial statements. In the absence of such a body, the managers of the enterprise are responsible.

## **BALANCE SHEET**

### **The Current/Non-current Distinction**

49. An enterprise should separately present on the face of the balance sheet current and non-current assets and liabilities.

### **Current Assets**

50. An asset should be classified as a current asset when it:
- (a) is expected to be converted in cash or cash equivalents in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle;
  - (b) is held primarily for trading purposes or for the short-term and expected to be converted in cash or cash equivalents within twelve months of the reporting date;
  - (c) is cash or a cash equivalent asset which is not restricted in its use.

All other assets should be classified as non-current assets.

51. Current assets include inventories and receivables from customers and purchasers that are sold, consumed and converted in cash and cash equivalents as part of the normal operating cycle even when they are not expected to be converted in cash and cash equivalents within twelve months of the reporting date.
52. Securities are classified as current assets if they are expected to be converted in cash and cash equivalents within twelve months of the reporting date; otherwise they are classified as non-current assets.

### **Current Liabilities**

53. A liability should be classified as a current liability when it:
  - (a) is expected to be settled in the normal course of the enterprise's operating cycle;
  - (b) is due to be settled within twelve months of the reporting date.

All other liabilities should be classified as non-current liabilities.

54. Some current liabilities, such as payables to suppliers and contractors and **accruals** for employee and other operating costs, form part of the working capital used in the normal operating cycle of the enterprise. Such operating liabilities are classified as current liabilities even if they are due to be settled after more than twelve months from the reporting date.
55. Other current liabilities are not settled as part of the current operating cycle, but are due for settlement within twelve months of the reporting date. Examples are the current portion of interest-bearing liabilities, bank overdrafts, dividends payable, income taxes and other payables unrelated to the current operating cycle. Interest-bearing liabilities that provide the financing for working capital on a long-term basis, and are not due for settlement within twelve months, are non-current liabilities.
56. An enterprise should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within twelve months of the reporting date only if:
  - (a) the original term was for a period of more than twelve months;
  - (b) the enterprise intends to refinance the liability on a long-term basis;
  - (c) that intention is supported by an agreement to refinance, or to reschedule payments, which is made before the financial statements are authorised for issue.
57. The amount of any liability that has been excluded from current liabilities in accordance with paragraph 56, together with information in support of this presentation, should be disclosed in the notes to the balance sheet.
58. Some borrowing agreements incorporate specific provisions that define the cases when if certain conditions related to the borrower's financial position are

breached then its long-term liability becomes payable on demand. In these circumstances, the liability is classified as non-current only when:

- (a) the lender has agreed, prior to the authorisation of the financial statements, not to demand payment as a consequence of the breach; and
- (b) it is not probable that further breaches will occur within twelve months of the reporting date.

### **Information to be Presented on the Face of the Balance Sheet**

59. As a minimum, the face of the balance sheet should include items which present the following:

- (a) property, plant and equipment;
- (b) intangible assets;
- (c) financial assets (excluding assets shown under (ç), (e) and (ə));
- (ç) investments accounted for using the equity method;
- (d) inventories;
- (e) receivables;
- (ə) cash and cash equivalents;
- (f) payables;
- (g) tax liabilities and assets;
- (ğ) provisions (estimated liabilities<sup>1</sup>);
- (h) interest-bearing liabilities;
- (x) minority interest; and
- (i) capital and reserves.

60. In presenting the above-mentioned items the enterprise should keep the format of the balance sheet, as provided in the Appendix 3 to this standard. Amendments to the titles of the above-mentioned obligatory items are only permissible if required by another National Accounting Standard for Commercial Organisations.

61. Additional items, headings and sub-totals should be presented on the face of the balance sheet when a National Accounting Standard requires it, or when such presentation is necessary to present fairly the enterprise's financial position.

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<sup>1</sup> Accurate wording in Azeri

62. The judgement on whether additional items are separately presented is based on an assessment of:
- (a) the nature and liquidity of assets and their materiality;
  - (b) their function within the enterprise;
  - (c) the amounts, nature and timing of liabilities.
63. Assets and liabilities that differ in nature or function are sometimes subject to different measurement bases. In such cases they should be presented in financial statements as separate items.

#### **Information to be Presented Either on the Face of the Balance Sheet or in the Notes**

64. An enterprise should disclose, either on the face of the balance sheet or in the notes to the balance sheet, further sub-classifications of the line items presented, classified in a manner appropriate to the enterprise's operations. Each item should be sub-classified, by its nature. At that amounts payable to and receivable from the parent enterprise, all fellow subsidiaries and associates and other related parties should be disclosed separately.
65. The detail provided in sub-classifications, either on the face of the balance sheet or in the notes depends on the requirements of National Accounting Standards and the size, nature and function of the items reported.

### **INCOME STATEMENT**

#### **Information to Be Presented On The Face Of the Income Statement**

66. As a minimum, the face of the income statement should include following items :
- (a) principle income;
  - (b) the results of operating activities;
  - (c) financing costs;
  - (c) parent's share of profits and losses of associates and joint ventures accounted for using the equity method;
  - (d) income tax expenses;
  - (e) profit or loss from ordinary activities;
  - (e) extraordinary items;
  - (f) minority interest; and
  - (g) net profit or loss for the period.

67. In presenting the above-mentioned items the enterprise should keep the format of the Income statement provided in the Appendix 4 or Appendix 5 to this standard. Amendments to the titles of the above-mentioned obligatory items are only permissible if required by another National Accounting Standard for Commercial Organisations.
68. Additional line items, headings and sub-totals should be presented on the face of the income statement when required by a National Accounting Standard, or when such presentation is necessary to present fairly the enterprise's financial performance.

### **Information to Be Presented Either on the Face of the Income Statement or in the Notes**

69. An enterprise should present, either on the face of the Income Statement or in the notes to the Income Statement, an analysis of expenses using a classification based on either the nature of expenses or their function within the enterprise.
70. Expense items are sub-classified in order to highlight a range of components which differ in terms of stability, potential for future economic benefits generation and predictability. This information is provided in one of two ways.
71. The first analysis is referred to as the nature of expenditures method. Expenses are aggregated in the income statement according to their nature, (for example depreciation, materials costs, transport costs, wages and salaries, advertising costs), and are not reallocated amongst various functions within the enterprise.
72. The second analysis is referred to as the function of expense and classifies expenses according to their function as part of cost of sales, commercial expenses or administrative expenses.
73. Enterprises classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortization expenses and staff costs.
74. An enterprise should disclose, either on the face of the income statement or in the notes, the amount of dividends per share, declared or proposed, for the period covered by the financial statements.

### **CHANGES IN EQUITY STATEMENT**

75. Presentation of the Changes in Equity Statement should be provided in accordance with requirements of National Accounting Standard for Commercial Organisations No. 2 Changes in Equity Statement.

### **CASH FLOW STATEMENT**

- 76 Presentation of the Cash Flow statement should be provided in accordance with requirements of National Accounting Standard for Commercial Organisations No. 5 Cash Flow Statement.

## NOTES TO THE FINANCIAL STATEMENTS

### Structure

77. The Notes to the Financial Statement of an enterprise should provide followings:
- (a) present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events;
  - (b) disclose the information required by National Accounting Standards that is not presented elsewhere in the financial statements; and
  - (c) provide additional information that is not presented on the face of the financial statements but which is necessary for a fair presentation.
78. Notes to the financial statements should be presented in a systematic manner. Each item on the face of the Balance Sheet, Income Statement and Cash Flow Statement should be cross-referenced to any related information in the notes.
79. Notes should be presented in the following order:
- (a) Statement of compliance with National Accounting Standards, or if, in the opinion of management compliance with a requirement of a standard would be misleading the following disclosures:
    - a statement that whilst the financial statements have been prepared in compliance with National Accounting Standards for Commercial Organisations they do not present fairly the financial position or results of the enterprise ;
    - the reason why they do not present fairly the financial position or results of the enterprise;
    - disclosure of information ,that in the opinion of management, ensures the fair presentation of the financial position and results.
  - (b) statement of the measurement basis (bases) and accounting policies applied;
  - (c) supporting information for items presented on the face of each financial statement in the order in which each line item and each financial statement is presented; and
  - (c) other disclosures, including:

- contingencies, commitments (agreed obligations for future operations) and other financial disclosures; and
- non-financial disclosures.

80. Information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

### **Presentation of Accounting Policies**

81. The accounting policies section of the notes to the financial statements should describe the following:

- (a) the measurement basis (or bases) used in preparing the financial statements;
- (b) each specific accounting policy that is necessary for a proper understanding of the financial statements.

82. When more than one measurement basis is used in the financial statements, for example when certain non-current assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

83. In deciding whether a specific accounting policy should be disclosed, management considers whether disclosure would be supporting for users. These disclosures will be considered as useful if they assist users in understanding the way in which transactions and events are affected on the reported performance and financial position.

The accounting policies that an enterprise must disclose include, but are not restricted to, the following:

- (a) income recognition;
- (b) consolidation principles, including subsidiaries and associates;
- (c) business combinations;
- (ç) joint ventures;
- (d) recognition and depreciation/amortisation of tangible and intangible assets;
- (e) capitalisation of expenditures;
- (ə) construction contracts;
- (f) investment properties;
- (g) financial instruments and investments;
- (ğ) leases;

- (h) research and development costs;
- (x) inventories;
- (l) taxes, including deferred taxes;
- (i) provisions (estimated liabilities);
- (y) employee benefit costs;
- (k) foreign currency translation and hedging;
- (q) determination of business and geographical segments and the basis for allocation of costs between segments;
- (l) determination of cash and cash equivalents;
- (m) inflation accounting; and
- (n) government grants and other state assistance.

84. Other National Accounting Standards specifically require disclosure of accounting policies in many of these areas.
85. If enterprise uses specific accounting policies, which are not covered by existing National Accounting Standards it should disclose such accounting policies.

### **Other Disclosures**

86. An enterprise should disclose the following if not disclosed elsewhere in information published with the financial statements:
- (a) the domicile and legal form of the enterprise, its country of incorporation and the address of the registered office and principal place of business, if different from the registered office;
  - (b) a description of the nature of the enterprise's operations and its principal activities;
  - (c) the name of the parent enterprise and the ultimate parent enterprise of the group; and
  - (c) the average number of employees for the period.

### **FIRST TIME APPLICATION**

87. At the first time of applying this standard it is not required to present the comparative information of the previous reporting period

### **TRANSITIONAL PROVISIONS**

**88. The following paragraphs of this standard become effective only after introduction of appropriate National Accounting Standards:**

- (a) paragraphs 8 (in the part of consolidated financial statements), 59(x), 83(b), 66(ç), 66(f) after the introduction of the National Accounting Standard based on IAS 27 - Consolidated and Separate Financial Statements;
  - (b) paragraph 59 (ç) after the introduction of the National Accounting Standard based on IAS 28 - Accounting on Investments in Associates;
  - (c) paragraph 83 (c) and after the introduction of the National Accounting Standard based on IFRS 2 - Business Combinations;
  - (ç) paragraph 83 (ç) after the introduction of the National Accounting Standard based on IAS 31 – Interests In Joint Ventures;
  - (d) paragraph 83 (f) after the introduction of the National Accounting Standard based on IAS 40 - Investment Property;
  - (e) paragraph 83 (i) (in part of deferred taxes) after the introduction of the National Accounting Standard based on IAS 12 - Income Taxes;
  - (ə) paragraph 83 (y) after the introduction of the National Accounting Standard based on IAS 19 - Employee Benefits;
  - (f) paragraph 83 (q) after the introduction of the National Accounting Standard based on IAS 14 - Segment Reporting;
  - (g) paragraph 83 (m) after the introduction of the National Accounting Standard based on IAS 29 – Financial Reporting in Hyperinflationary Economies;
  - (ğ) paragraph 83 (n) after the introduction of the National Accounting Standard based on IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.
89. The following paragraphs of this standard will obtain proper meaning only after introduction of appropriate National Accounting Standards for Commercial Organisations:
- (a) paragraph 59 (c) after the introduction of National Accounting Standard based on IAS 32 - Financial Instruments: Disclosure and Presentation;
  - (b) paragraphs 66 (c) and 83 (e) after the introduction of the National Accounting Standard based on IAS 23 - Borrowing Costs;
  - (c) paragraph 79 (ç) (in part of contingent assets and contingent liabilities) after the introduction of the National Accounting Standard based on IAS 37 - Provisions, Contingent Liabilities and Contingent Assets;

- (ç) paragraph 83 (g) after the introduction of the National Accounting Standard based on IAS 32 - Financial Instruments: Disclosure and Presentation.

**EFFECTIVE DATE**

90. The effective date of this standard is determined by appropriate order of Ministry of Finance of the Republic of Azerbaijan.

## **Appendix 1 – Comparison of National Accounting Standard for Commercial Organisations No.1 Presentation of Financial Statements with International Accounting Standard No. 1 Presentation of Financial Statements**

The National Accounting Standard for Commercial Organizations (NASCO1) - Presentation of Financial Statements is based on International Accounting Standard 1 (issued in 1999) - Presentation of Financial Statements (IAS 1). The main differences between NASCO 1 and IAS 1 are as follows:

1. The NASCO 1 contains definitions of assets, liabilities, equity, income and expenses in line with the IASB Framework definitions. In addition it defines Principal Income<sup>2</sup>, Other income<sup>3</sup>, Principal expenses<sup>4</sup> and Other expenses<sup>5</sup> on the basis of their description provided in IASB Framework.
2. In accordance with IAS1, in extremely rare circumstances If management concludes that compliance with a requirement in a standard would be misleading and therefore the departure from a requirement is necessary to achieve a fair presentation the enterprise make that departure and disclose additional justifying information (paragraph 13). NASCO 1 requires compliance with the requirements of the National Accounting Standards for Commercial Organizations (paragraph 16), but additionally to disclose the fact that whilst the financial statements have been prepared in compliance with National Accounting Standards for Commercial Organizations the statements do not present fairly the financial position or results of the enterprise; the reason why they do not present fairly the financial position or results of the enterprise; and disclosure of information ,that in the opinion of management, ensures the fair presentation of the financial position and results.(paragraph 79).
3. IAS 1 gives an enterprise the option of whether or not to present current and non-current assets and liabilities as separate classifications on the face of the Balance Sheet. NASCO 1 requires an enterprise to distinguish current and non-current assets and liabilities on the face of the Balance Sheet (paragraph 49).
4. IAS 1 does not require any format of Balance Sheet and Income Statement (paragraphs 68 and 75). NASCO 1 requires the presentation of the minimum obligatory information, using the presentation format prescribed in appropriate Appendices to standard (paragraphs 60 and 67).
5. IAS 1 states general requirements for the presentation of the changes in equity (paragraphs 86-89). NASCO 1 does not contain any provisions on this matter and makes reference to the separate National Accounting Standard for Commercial Organizations that will cover these issues (paragraph 75).

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<sup>2</sup> Revenue in IFRS

<sup>3</sup> other gains in the IASB Framework

<sup>4</sup> has not specific title in the IASB Framework

<sup>5</sup> losses - IASB Framework)

6. IAS 1 recommends the order of presentation of the additional information in the notes (paragraph 94). NASCO 1 makes this order obligatory (paragraph 79).
7. NASCO 1 contains an extra section on the first time application of the standard (paragraph 87), which states that the presentation of comparative information for the first time application of the standard is not required. .
8. NASCO 1 contains an extra section on transitional provisions (paragraph 88), which states that some provisions of the standard will come to the effect and some other provisions of the standard will obtain proper meaning only after introduction of the appropriate NASCO(s).