

REPUBLIC OF LITHUANIA

ACCOUNTING LAW

6 November 2001 Nr. IX-574

Vilnius

(Amended by 18 December 2003 No. IX-1914)

CHAPTER ONE

GENERAL PROVISIONS

Article 1. Purpose and Application of the Law

1. This Law shall define the accounting of assets, equity, liabilities, economic transactions and economic events of legal persons with limited and unlimited civil liability, and of farmer's farms, assets, equity, liabilities, economic transactions and economic events attributable to appropriate activities, permanent establishment or representative office of residents, engaged in individual activities (permanent residents of Lithuania, engaged in individual activities, as well as non-permanent residents of Lithuania, acting through the permanent bases in the Republic of Lithuania), foreign economic entities, acting through the permanent establishment in the Republic of Lithuania, foreign economic entities whose representative offices are located in the Republic of Lithuania; as well as the organisation and handling of financial accounting. Legal persons with limited and unlimited civil liability, farmer's farms, residents engaged in individual activities, foreign economic entities, acting through the permanent establishment in the Republic of Lithuania, foreign economic entities whose representative offices are located in the Republic of Lithuania shall be referred to in this Law as "economic entities".

2. The procedure of the accounting of farmer's farms, residents engaged in individual activities, foreign economic entities acting through the permanent establishment in the Republic of Lithuania, foreign economic entities whose representative offices are located in the Republic of Lithuania, non-profit legal persons with limited civil liability shall be established by the Government or an institution authorised by it to the extent this Law does not provide otherwise.

3. Handling and organisation of the accounting of the Bank of Lithuania, other credit institutions, financial brokerage firms, investment companies with variable capital, pension funds,

their management companies shall be established by this Law, unless otherwise provided by other laws of the Republic of Lithuania.

4. The provisions of this Law have been harmonised with the legal acts of the European Union specified in the annex to this Law.

Article 2. Main Definitions of this Law

1. **Accounting document** means a hard or soft copy of a certificate confirming an economic transaction or an economic event and containing properties that enable to identify the economic transaction or the economic event, as well as the document specified in paragraph 7 of Article 13 of this Law.

2. **Accounting register** (hereinafter referred to as the “**register**”) summary account of economic transactions and events the data of which is summarised from accounting documents.

3. **Accounting system** means a set of accounting methods used by an economic entity.

4. **Accounting standards** means the rules for valuation of assets, equity and liabilities of an economic entity, recognition of income and expenses, and registering for accounting purposes; financial accounting shall be prepared in accordance with the said rules. Accounting standards shall include Accounting Standards of Budgetary Institutions and Business Accounting Standards.

5. **Accounting** means a system of registration, grouping and summarising of economic transactions and economic events in their monetary expression, intended for getting information for making of economic decisions and (or) compilation of financial statements.

6. **Financial account** (hereinafter referred to as an “**account**”) means a method of compilation and grouping of information in order to define assets, equity, liabilities, income and expenses of an economic entity within a reporting period.

7. **Double entry** means a method for registration of economic transactions and economic events, where the value of each economic transaction or economic event is entered into the debt side of an account (accounts) and an amount equal thereto is entered into the credit side of another account (accounts).

8. **Liability** means an obligation arising as a result of economic transactions and economic events with regard to which the economic entity will have to settle accounts in the future from its assets and the volume of which may be objectively measured.

9. **Equity** means part of the assets of an economic entity remaining after deducting liabilities from the total assets.

10. **Income** means an inflow of economic benefit of an economic entity during the reporting period, i.e. an increase of assets or decrease of liabilities of an economic entity when those inflows result in increases in equity, except additional contributions from owners.

11. **Single entry** means a method of registration of economic transactions and economic events without making a double entry.

12. **Cash accounting document** means a physical certificate, which records cash payment or funds transfer transaction by which one economic entity fulfils its liability to another economic entity.

13. **Expenses** means reduction of economic benefit of an economic entity within the reporting period due to consumption, sales, loss of assets or reduction of value of the assets and undertaking of liabilities as a result of which the equity gets smaller, except for its allocation.

14. **Chart of accounts** means a list of accounts which show the assets, liabilities, equity, income, and expenses of an economic entity.

15. **Simplified accounting** means accounting handled when making a single entry.

16. **International Accounting Standards** as defined in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

17. **International Public Sector Accounting Standards** means the rules, approved by the Public Sector Committee of the International Federation of Accountants, for the valuation of assets, equity and liabilities of economic entities, recognition and registration of income and expenses in accounting; a financial statement shall be prepared according to the said rules.

18. **Assets** means tangible, intangible, and financial valuables, which are managed and used, as well as (or) disposed of by an economic entity, and by using which economic benefit is expected in the future.

19. **Economic event** means a fact independent of an economic entity, which changes the amount and (or) structure of the assets and (or) equity as well as liabilities.

20. **Economic entities whose securities are traded on a regulated market** means economic entities whose securities are traded on a regulated market, as well as economic entities whose securities are accepted for trading on a regulated market of a certain country on the date of the preparation of a financial statement.

21. **Economic transaction** means activity of an economic entity that changes the amount and (or) structure of the assets and (or) equity as well as liabilities.

22. **Head of an economic entity** means head of the administration of a legal person with limited civil liability, owner of a legal person with unlimited civil liability and of an economic entity without the head of the administration.

23. **Management (internal) accounting** means collection, classification, assessment and producing of information necessary for the management of an economic entity.

24. **Chief accountant (accountant)** means a natural person handling the accounting of an economic entity.

Article 3. General Requirements for Handling of Accounting

1. Accounting shall be handled in accordance with the present Law and other legal acts.

2. General methodological administration of accounting shall be performed by the Ministry of Finance in accordance with legal acts of the Republic of Lithuania, taking into account the International Accounting Standards, Community law and International Public Sector Accounting Standards.

3. Economic entities whose securities are traded on a regulated market shall handle accounting in accordance with the International Accounting Standards.

4. Profit-seeking legal persons with limited civil liability shall handle accounting in pursuance of the Business Accounting Standards. These Standards shall be produced, approved and published in the *Valstybės žinios* by the Accounting Institute of the Republic of Lithuania. The Business Accounting Standards must be prepared in compliance with the Community law and the International Accounting Standards. When handling accounting, legal persons with unlimited civil liability shall observe the Business Accounting Standards when they decide at their own discretion to prepare a financial statement or are obliged to do so by the Law on Financial Statements of Enterprises.

5. In handling accounting, budgetary institutions shall follow the Accounting Standards for Budgetary Institutions. The Ministry of Finance shall approve these Standards. The Accounting Standards for Budgetary Institutions must be produced in accordance with the International Public Sector Accounting Standards and other methodology (instructions, studies) prepared by the Public Sector Committee of the International Federation of Accountants.

6. The Institute of Accounting of the Republic of Lithuania shall be a public agency set up in accordance with the procedure established by law. Its founders shall be the Ministry of Finance and other legal persons with limited and unlimited civil liability. At a general sharers' meeting 50 per cent of the votes shall be held by the Ministry of Finance and 50 per cent of the votes – by other sharers. These may be auditing and accounting companies, auditor, accountant (businessman) uniting and (or) their self-management organisations and institutions whose functions are related to the regulation of enterprise activities, domestic market or capital market.

7. The Institute of Accounting of the Republic of Lithuania shall provide explanations of Business Accounting Standards. Explanations of Business Accounting Standards shall not have the power of a legal act and express an opinion of creators of Business Accounting Standards.

Article 4. Requirements for Accounting Information

Economic entities shall arrange their accounting so that the accounting information shall be:

- 1) relevant, objective and comparable;
- 2) submitted on time;
- 3) comprehensive and useful for internal and external users of information.

Article 5. Monetary Measurements

1. Accounting shall be arranged and accounting documents shall be made in Litas - the national currency of the Republic of Lithuania and, if necessary, both in Litas and in foreign currency.

2. In accounting economic events and economic transactions which exist and are completed or the results of which are executed under the procedure established by legal acts of the Republic of Lithuania, is related to a foreign currency, shall be translated into Litas on the basis of the rate of the Litas against the relevant foreign currency set by the Bank of Lithuania effective on the day an economic event occurs or economic transaction is accomplished.

CHAPTER TWO ORGANISATION OF ACCOUNTING

Article 6. Establishment and Selection of an Accounting Management System

1. The accounting system shall be conditional on the legal form of an economic entity, size of an economic entity, type of business and form of ownership.

2. Accounting shall cover all economic transactions and economic events related to change of assets, equity, amount of liabilities or structure.

3. For the purpose of accounting, economic entities shall make double entries. Residents who are engaged in individual activities, legal persons with unlimited civil liability who are not payers of the value added tax and have not got hired employees within the current and previous accounting year, may choose a simplified accounting method. The procedure for simplified accounting shall be established by the Government of the Republic of Lithuania or an institution authorised by it.

4. Accounting documents shall be issued and accounting registers shall be drawn up in the Lithuania language and, where appropriate, in the Lithuanian language and in a foreign language. Received documents, which are composed in a foreign language, must, where appropriate, be translated into the Lithuanian language.

Article 7. Chart of Accounts

1. The Institute of Accounting of the Republic of Lithuania shall develop and approve a model chart of accounts, as well as publish it in the *Valstybės žinios*.

2. An economic entity shall develop its own chart of accounts. The head of that economic entity shall approve it.

Article 8. Management (Internal) Accounting

Economic entities shall choose management (internal) accounting independently.

Article 9. Accounting Policy

1. Accounting policy shall comprise accounting principles, accounting methods and rules for handling an economic entity's accounting, as well as compiling and presenting financial statements.

2. The head of an economic entity must choose and implement an accounting policy taking into consideration specific business conditions, type of business, and invoking the Accounting Standards.

Article 10. Handling of Accounting

1. Accounting of an economic entity shall be handled by the following:

1) an accounting service of an economic entity (structural unit) or a chief accountant (accountant);

2) a company rendering accounting services under a contract;

3) the head of an individual enterprise and a resident who is engaged in individual activities;

4) farmer and farmer's partners.

2. Accounting of state and municipal enterprises shall be handled under the procedure established in subparagraph 1 of paragraph 1 of this Article.

3. Accounting of budgetary institutions shall be handled under the procedure established in subparagraph 1 of paragraph 1 of this Article or in accordance with the procedure established by legal acts.

Article 11. Responsibility of the Chief Accountant (Accountant) and Accounting Company

1. The chief accountant (accountant) and the accounting company shall be responsible for accuracy of accounting entries.

2. The responsibility of the chief accountant (accountant) shall be defined by legal acts of the Republic of Lithuania.

3. The responsibility of the accounting company shall be defined in a written agreement concluded with the customer.

CHAPTER THREE ACCOUNTING DOCUMENTS AND REGISTERS. CORRECTION OF ERRORS

Article 12. Recording and Registration of Economic Transactions and Economic Events

1. All economic transactions and economic events must be supported by accounting documents except for the case referred to in paragraph 2 of this Article. Accounting documents shall be issued in the course of an economic transaction and an economic event or after the occurrence or completion thereof.

2. Economic transactions and economic events that cannot be supported with accounting documents shall be supported with the accounting documents of related economic transactions and economic events.

3. Accounting documents related to the provision of continuous and long-term services (energy, gas, communications, rent and other) on contractual basis or services acquired by using telecommunication technologies, for the previous period that may not exceed one month shall be issued and submitted (sent) to the service recipient not later than by the 10th day of the following month. Accounting documents related to the provision of continuous and long-term services for a period not exceeding two months may, in accordance with the procedure established by the Government, be issued and submitted (sent) to the natural persons not engaged in economic activities.

4. Data about economic transactions and economic events shall be entered into accounting registers on the day of an economic transaction or an economic event, or immediately thereafter when it is possible.

Article 13. Properties of Accounting Documents

1. The following properties of accounting documents shall be obligatory:

1) title of an accounting document;

2) name and code of an economic entity that has issued an accounting document;

3) date of the issuing of an accounting document;

4) content of an economic transaction or an economic event;

5) outcome of an economic transaction or an economic event in a monetary and (or) quantitative equivalent. When the outcome of an economic transaction or an economic event is presented in a quantitative equivalent, measurement units shall be indicated;

6) name (names) or name initial (initials) and surname (surnames), signature (signatures) and position of the person (persons) entitled to draw up and sign or only to sign accounting documents.

2. Other legal acts may provide for additional obligatory properties for specific types of accounting documents. Requirements for accounting documents used for calculation of taxes, including the procedure for producing and distributing such documents, shall be established by the Government.

3. Entries of accounting registers shall be made only on the basis of accounting documents that contain the properties listed in this Article, except for the accounting documents received from foreign entities.

4. The following properties must be indicated in accounting documents of continuous and long-term services (rent, cold and hot water, electricity and heating, gas and utility) provided to natural persons not engaged in economic activities, as well as in accounting documents for telecommunication services and accounting documents for services acquired by using telecommunication technologies, issued to service recipients:

- 1) title of an accounting document;
- 2) name and code of an economic entity that has provided services;
- 3) date of the issuing of an accounting document;
- 4) name of a service recipient;
- 5) service name;
- 6) value of the provided services in a monetary and (or) quantitative equivalent.

5. The properties of accounting documents, set in subparagraphs 1 and 6 of paragraph 1 of this Article, shall not be mandatory for receipts of cash registers.

6. The following properties must be indicated in accounting documents issued to buyers of fuels (motor petrol, diesel fuel and liquid gas intended for use as fuels) when they do not pay with a bankcard under an agreement on sales:

- 1) title of an accounting document;
- 2) name and code of an economic entity that has drawn up an accounting document;
- 3) date of an accounting document;
- 4) name of a buyer;
- 5) name of sold fuels, their amount in appropriate measurement units and a monetary equivalent.

7. Where an economic transaction or an economic event has occurred but no supporting accounting document has been obtained, an accounting document of a free form shall be drawn up identifying the economic transaction or economic event. Such document shall be signed by the persons entitled to issue and sign or only to sign accounting documents.

8. The properties of accounting documents, set in subparagraph 6 of paragraph 1 of this Article, shall not be mandatory for a VAT invoice.

Article 14. Signing of accounting documents

1. The head of an economic entity shall approve a list of persons who are authorized to issue and sign or only to sign accounting documents, and the sample signatures of these persons. Accounting documents shall be signed personally or under the procedure established by the Law

on Electronic Signature. Where accounting is handled by an accounting company on contractual basis the procedure for signing shall be defined in the agreement concluded with the customer.

2. Timely and accurate issue of accounting documents, authenticity of data thereof and legitimacy of economic transactions shall be the responsibility of persons who have issued and signed the accounting documents.

Article 15. Adjusting Accounting Documents

1. In the event of price discount, sales discount and turnover discount, correction of mistakes made in the course of issuing, but noticed later, of accounting documents by which sales transactions are executed, as well as in other cases, adjusting accounting documents shall be composed. Adjusting cash accounting documents shall not be composed. An adjusting accounting document shall be composed by the same economic entity, which has issued the accounting document subject to adjustment.

2. In the event of return of goods, an adjusting accounting document shall by mutual agreement be made by the supplier or the economic entity that is returning goods.

3. In addition to the properties listed in paragraphs 1 and 2 of the Article 13, the adjusting accounting document shall contain the title of the adjusted document and date of issue thereof. The adjusting accounting document issued in the event of a turnover discount shall specify the discount period and the turnover of the period, which is subject to discount without indicating the title and issue date of the adjusted document.

Article 16. Accounting registers

1. Data about economic transaction and economic events shall be registered in accounting registers.

2. The form, contents and number of the accounting registers shall be set by an economic entity according to its needs.

3. In accounting registers, economic transactions and economic events shall be registered on the basis of accounting documents in a chronological, systematic, chronological-systematic or another order. Accounting registers shall be signed by the person having made entries thereto.

4. Accounting registers may be filled-in manually or drawn up in a computerized way. Accounting data may be stored in computer files only provided that hard copies of the registers are available. At the end of a financial year the accounting registers shall be fastened by spiral binding, the pages thereof shall be numbered and the number of pages shall be indicated on the last page.

Article 17. Financial statements

Financial statements shall be prepared on the basis of the data of the accounts under the procedure established by the Law on Financial Statements and other legal acts.

Article 18. Correction of Errors

1. Making corrections in cash accounting documents shall be prohibited. In the event of an error, the cash accounting document shall be annulled and a new document shall be issued.

2. Document issue date corrections shall be forbidden in all accounting documents.

3. Only the quantity, amount and text may be corrected in accounting documents, except for the property referred to in paragraph 2 of this Article. Wrong entries shall be corrected by crossing out the wrong text or figure leaving them legible and entering the correct text or figure. The signatures of the persons who have signed the corrected document shall follow the corrected entry and the date of correction shall be indicated. Such corrections shall be made only at the moment the document is issued.

4. Errors in accounting registers noticed before the compilation and approval of an annual financial statement may be corrected by crossing out the wrong text or figure leaving them legible and entering the correct figure or text or by issuing an accounting certificate. The signatures of the persons who have signed the corrected document shall follow the corrected entry and the date of correction shall be indicated. Errors in accounting registers noticed after the compilation and approval of a financial statement shall be corrected only by issuing an accounting certificate.

CHAPTER FOUR

STORAGE OF ACCOUNTING DOCUMENTS AND REGISTERS

Article 19. Procedure for Storing Accounting Documents, Registers and Financial Statements

1. Accounting documents and registers shall, until the approval of financial statements, be stored under the procedure established by the head of an economic entity, ensuring safety of the documents.

2. After the approval of a financial statement, accounting documents and registers shall be stored under the procedure established by the head of an economic entity, observing the time limits of documents storage set by the Government.

3. Accounting documents and registers of liquidated entities shall be stored under the procedure established by the Law on Archives.

4. When the head of an economic entity changes, the accounting documents, accounting registers and financial statements shall be taken over by a newly appointed head of the economic entity.

5. Financial statements of economic entities that submit their accounting documents for State preservation shall be preserved permanently, while the financial statements of economic entities that do not submit their accounting documents for State preservation, shall be stored for 15 years.

Article 20. Recording of Disappearance and Seizure of Accounting Documents and Accounting Registers

1. When accounting documents or accounting registers disappear or are partially or wholly damaged the person who lost or damaged them shall write an explanation to the head of an economic entity. The head of an economic entity shall make a decision on the restoration of the documents under the procedure established by the Government.

2. State institutions and agencies which have the right, under the procedure established by law, to seize accounting documents of an economic entity, may seize the documents under the procedure established by the laws regulating the activities thereof, after drawing up a deed on the seizure of the accounting documents.

CHAPTER FIVE

RESPONSIBILITY FOR ARRANGEMENT OF ACCOUNTING, PRESERVATION OF ACCOUNTING DOCUMENTS. COMMERCIAL SECRETS

Article 21. Responsibility for Arrangement of Accounting and Presentation of Accounting Documents

1. Arrangement of accounting under the requirements of this Law shall be the responsibility of the head of an economic entity.

2. Presentation of accounting documents under the procedure established by law shall be the responsibility of the head of an economic entity.

Article 22. Commercial Secret

Accounting information that is not reflected in financial statements shall not be made public.

CHAPTER SIX

FINAL PROVISIONS

Article 23. Responsibility

Persons who violate the provisions of this Law shall be held liable under the law.

Article 24. Recommendations to the Government and the Ministry of Finance

1. The Government shall draft and adopt the legal acts necessary for the implementation of this Law by 1 January 2002.

2. The Ministry of Finance shall reorganise the public institution – the Institute of Audit, Accounting and Asset Valuation of the Republic of Lithuania by establishing the Institute of Accounting of Republic of Lithuania by 1 January 2002.

Article 25. Entry into Force of the Law

1. This Law shall enter into force on 1 January 2002, with the exception of paragraph 3 of Article 3.

2. The provisions of Paragraph 3 of Article 3 of this Law shall enter into force from 1 January 2005.

3. The provision of Paragraph 8 of Article 13 of this Law shall enter into force from 1 May 2004.

4. Upon entry into force of this Law, the following acts shall become invalid:

1) Law of the Republic of Lithuania on the Principles of Accounting;

2) Law of the Republic of Lithuania Amending and Supplementing the Law of the Republic of Lithuania on the Principles of Accounting;

3) Law of the Republic of Lithuania Amending Articles 9, 10, 20, and 22 of the Law of the Republic of Lithuania on the Principles of Accounting;

4) Law of the Republic of Lithuania Amending Articles 9, 10, and 20 of the Law of the Republic of Lithuania on the Principles of Accounting;

5) Law of the Republic of Lithuania Amending Articles 9, 10, and 20 of the Law of the Republic of Lithuania on the Principles of Accounting;

6) Law of the Republic of Lithuania Amending Articles 9 and 10 of the Law of the Republic of Lithuania on the Principles of Accounting;

7) Law of the Republic of Lithuania Amending and Supplementing Articles 1, 2, 9, 10, 16, 17, and 21 of the Law of the Republic of Lithuania on the Principles of Accounting;

8) Law of the Republic of Lithuania Amending Article 1 of the Law of the Republic of Lithuania on the Principles of Accounting;

9) Law of the Republic of Lithuania Supplementing Article 1 of the Law of the Republic of Lithuania on the Principles of Accounting;

10) Law of the Republic of Lithuania Amending Article 2 of the Law of the Republic of Lithuania on the Principles of Accounting;

11) Law of the Republic of Lithuania Amending Article 7 of the Law of the Republic of Lithuania on the Principles of Accounting.

4. Until the Accounting Standards become operative, the legal acts of the Government of the Republic of Lithuania and the Ministry of Finance regulating handling of accounting shall be valid.

I promulgate this Law passed by the Seimas of the Republic of Lithuania

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS

Annex to
Law No. IX-574 of
the Republic of Lithuania of
6 November 2001

THE LEGAL ACTS OF THE EUROPEAN UNION THAT ARE BEING IMPLEMENTED

1. Fourth Council Directive of 25 July 1978 based on article 54 (3) (g) of the treaty on the annual accounts of certain types of companies (78/660/EEC).
2. Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.
3. Commission Regulation (EC) No 1725/2003 of 29 September 2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.