



Recommendation Guidelines on initial application of IFRS for the financial statements of 2017

In accordance with paragraph 1 of article 3 of the Law of Georgia on Accounting, Reporting and Auditing (hereinafter - "the Law"), the financial statements shall comply with the International Financial Reporting Standards (IFRS). According to paragraph 3 of article 5 of the Law, the financial statements prepared by the entity should reflect the financial position of the entity, its performance, cash flow and changes in equity and disclosures for a comparable period of time.

According to the Law adopted by the Parliament of Georgia on 8 June 2016, which entered into force on June 24 of the same year, it will not be able to regulate the existing legal relations before its enactment, as provided under Article 6 of the Civil Code of Georgia, the laws and subordinate normative acts have no retroactive force, except when it is directly prescribed by the legislation.

If an entity represents a PIE, a first- or second-category enterprise, according to paragraph 12 of article 28 of the Law, it is obliged, immediately, but not later than 1 October 2018¹, to present the financial statements of 2017.

In case, if according to IFRS 1 or article 35 of the IFRS for SMEs, the date of transition to the relevant standard is as follows:

1. January 1 2016 (or earlier date), the enterprise shall submit to the Service for Accounting, Reporting and Auditing Supervision (SARAS) the comprehensive financial report prepared in accordance with the standards set by the law, which shall contain a statement of financial position as of the beginning and the end of 2016, a statement of financial position as of the end of 2017, a statement of profit or loss and a statement of other comprehensive income of 2016 and 2017, a statement of changes in equity of 2016 and 2017, a statement of cash flows, and disclosures of 2016 and 2017. It should be taken into consideration that the information of 2017 in the financial statements must be audited. Submission of such statements by the entity shall be deemed to be the fulfillment of the above-mentioned law.

¹ The same principle will apply to those enterprises whose reporting period does not coincide with the calendar year considering the relevant reporting dates.



2. January 1, 2017, the enterprise shall submit to the Service for Accounting, Reporting and Auditing Supervision (SARAS) the financial statements prepared in accordance with the standards set by the Law, which shall include a statement of financial position as of the beginning and the end of 2017, a statement of profit or loss and a statement of other comprehensive income of 2017, a statement of changes in equity of 2017, a statement of cash flows, and disclosures of 2017. It should be taken into consideration that the 2017 information provided in the financial statements, except for the statement of financial position of the initial period of 2017, must be audited. Submission of such statements by the entity shall be deemed to be the fulfillment of the above-mentioned law. In this case, auditors/auditing firms can act in accordance with the requirements of ISA 800 while preparing an auditor's report on the financial statements to be submitted.
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