

‘Registered’
The Ministry of Justice
The Republic of Azerbaijan
Registration N 2666

Protokol N 7
Minister _____F.F.Məmmədov

‘Approved’
by Resolution of the Management
Board of the Central Bank
of the Republic of Azerbaijan dated
14 February 2001

Chairman of the Management Board
_____E.S.Rustamov

Regulations
on accrual method of accounting in the banking system
of the Republic of Azerbaijan
(with amendments of 2 March 2002)

I. General provisions

1.1. These Regulations have been developed in accordance with the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan, The Law on Banks and Banking Activity, and other legislative acts of the Republic of Azerbaijan and determine the policy of accrual method of accounting of operations in the banking system of the Republic of Azerbaijan (hereinafter – the Bank).

1.2. The provisions of the Tax Code of the Republic of Azerbaijan are guided by for taxation purposes when conducting operations in the banking system with the accrual method.

II. Definitions

2.1. Accrual method of accounting require payments to be recognized not on the date of paying or receiving, but at the time of their occurrence.

2.2. Financial statements developed with the accrual method allow to provide users with the information on making payments and receiving funds not only on previous transactions, but also on future payments and funds to be received.

III, Accrual method of accounting

3.1. Accrual method of accounting is booked in accounting reports (balance sheets) as:

- the right to receive funds or other financial assets – as assets;
- the right to pay out funds or supply services – as liabilities.

3.2. Balance of profit and losses related to particular period is included to 'profit/loss of current financial year' not less than once a month.

IV. Interest accrual

4.1. If not otherwise specified in the legislation, interest accrual is recorded in daily relevant income&expenses accounts irrespective of whether they are actually received or paid out.

4.2. To maintain relevant accounting of interest the following information is necessary: the type, amount of funds, allocation (attraction), interest norms, and terms and conditions of receiving (paying out) of paid interest.

4.3. Interest is stopped to be calculated under relevant regulatory acts.

V. Calculation of income and expenses

5.1. All profit and loss related to a particular period is recorded in accounting reports (balance sheets) of that period.

5.2. To record all income and expenses related to a particular period in income statement calculation of income and expenses is verified monthly and relevant corrections are made.

VI. Final provisions

6.1. These Regulations take effect on 1 march 2001.

6.2. Due to entry of these Regulations into effect the Regulations # 25 on Accrual of Interest in Bank Offices and their Recording in Accounting of the Central Bank dated 27 November 1995 loses its effect.

Methodological instructions on accrual of interest:

1.1. The following accounting entry is made when calculating interest receivables on relevant assets:

Dr relevant calculated interest receivables account

Cr relevant interest income account

1.2. The following accounting entry is made when interest is received by the bank:

Dr Cash/ correspondent account or customer account

Cr relevant calculated interest receivables account

2.1. The following accounting entry is made when interest to be paid on relevant funds is calculated:

Dr relevant interest expenses account

Cr relevant calculated interest receivables account

2.2. The following accounting entry is made when interest is paid out:

Dr relevant calculated interest receivables account

Cr Cash/ correspondent account or customer account