

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Bulgaria**



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This Profile provides information about the application of IFRS Standards in Bulgaria. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Institute of Certified Public Accountants in Bulgaria (Bulgarian acronym is IDES)
Role of the organisation	The official standard-setting body in Bulgaria is the Council of Ministers/Ministry of Finance (ie the government). The Institute of Certified Public Accountants in Bulgaria is the professional accountancy body in Bulgaria. It advises the government regarding adoption of accounting standards and provides guidance and enforcement for standards that have been adopted at the government level.
Website	<a href="http://www.ides.bg/en/Institution.aspx">http://www.ides.bg/en/Institution.aspx</a>
Email contact	<a href="mailto:vraichev@deloittece.com">vraichev@deloittece.com</a>

#### COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes. Refer to the IAS Regulation adopted by the European Union in 2002: <a href="http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm">http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</a>
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Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.  Refer to the IAS Regulation adopted by the European Union in 2002: <a href="http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm">http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</a>
What is the jurisdiction's status of adoption?	Bulgaria has already adopted IFRS Standards for all or some companies.
Additional comments provided on the adoption status?	<p>Bulgaria joined the European Union as of 1 January 2007. Even before that, Bulgaria had adopted IFRS Standards, as follows:</p> <ul style="list-style-type: none"> <li>• Bulgaria required IFRS Standards for banks as a result of the Law on Banking in 1997.</li> <li>• Bulgaria required IFRS Standards for publicly traded companies and some other companies under a law passed in 2001 with effect from 2003.</li> </ul> <p>As a member state of the European Union, Bulgaria is subject to the IAS Regulation adopted by the European Union in 2002.</p> <p>The EU IAS Regulation requires application of IFRS Standards as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRS Standards as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade on a regulated securities market. See the Profile for the European Union for more detailed information about the EU IAS Regulation.</p> <p>In Bulgaria, the Bulgarian Stock Exchange – Sofia JSC is a regulated market.</p> <p>Bulgaria used the option under the IAS Regulation to:</p> <ul style="list-style-type: none"> <li>• Require IFRS Standards as adopted by the EU in the separate company accounts of all companies whose securities trade in a regulated market.</li> <li>• Require IFRS Standards as adopted by the EU in both the consolidated and separate company accounts of all companies whose securities do not trade in a regulated market except SMEs that do not have share capital and entities in liquidation and insolvency.</li> <li>• Permit SMEs to use IFRS Standards as adopted by the EU, but if they chose to use IFRS Standards they must do so in both their consolidated and separate company financial statements.</li> </ul>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED?	In accordance with the EU Accounting Regulation, IFRS Standards as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Bulgaria.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

IFRS Standards as adopted by the EU are required in the separate company accounts of all companies whose securities trade in a public market.

For instance, are IFRS required or permitted for companies whose securities do not trade in a public market?

IFRS Standards as adopted by the EU are required in both the consolidated and separate company accounts of all companies whose securities do not trade in a public market except SMEs that do not have share capital and entities in liquidation and insolvency. SMEs that do not have share capital are permitted to use IFRS Standards as adopted by the EU, but if they chose to use IFRS Standards as adopted by the EU they must do so in both their consolidated and separate company financial statements. Furthermore, the choice to use IFRS Standards as adopted by the EU is irrevocable.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

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***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

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Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required for some and permitted for others. Foreign companies whose securities trade in a regulated market in Bulgaria (and generally in the EU) are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their local accounting standards to be equivalent to IFRS Standards, in which case they may use their local standards.

[http://ec.europa.eu/internal\\_market/accounting/legal\\_framework/equivalence\\_mechanism\\_en.htm](http://ec.europa.eu/internal_market/accounting/legal_framework/equivalence_mechanism_en.htm)

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

## **IFRS ENDORSEMENT**

Which IFRS Standards are required or permitted for domestic companies?

IFRS Standards as adopted by the European Union, which are IFRS Standards as issued by the IASB Board with some limited modifications such as the temporary 'carve-out' from IAS 39. However, the resulting financial statements of the majority of companies can still be in full compliance with IFRS Standards.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	IFRS Standards as adopted by the European Union.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	Yes.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	The process is described in the Profile of the European Union.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	The process is described in the Profile of the European Union.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	Details are in the Profile of the European Union.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.
<b>TRANSLATION OF IFRS STANDARDS</b>	
Are IFRS Standards translated into the local language?	Yes.  The European Union has 24 official and working languages. They are: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish and Swedish. Before they are published in the <i>Official Journal of the European Union</i> , and therefore become binding under EU law, individual IFRS Standards must be translated into all of those languages (other than English and Irish).

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If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?

Pursuant to a copyright waiver agreement with the Directorate-General for Translation of the European Commission, the Commission takes care of the translation into the official languages according to their own translation process. The translation only covers the standards and mandatory guidance, which is then published in the *Official Journal of the European Union*.

In addition, some countries (usually the standard setter or institute) have a translation contract with the IFRS Foundation to produce an 'official translation' for publication of a bound volume of IFRS Standards (usually the 'Red Book') and publication, in some cases, of individual standards and exposure drafts.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

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Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?

No.

If no, is the adoption of the IFRS for SMEs Standard under consideration?

No.

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Did the jurisdiction make any modifications to the IFRS for SMEs Standard?

Not applicable.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

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Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?

Not applicable.

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For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?

SMEs may choose full IFRS Standards as adopted by the EU or Bulgarian accounting standards.

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Other comments regarding use of the IFRS for SMEs Standard?

The Institute states that the profession and the Institute (IDES) is strongly in favour of adoption of the IFRS for SMEs Standard. However, the position of the legislators generally is to follow the EU rules and until it becomes obligatory in EU. Therefore, the IDES states that adoption of the IFRS for SMEs Standard in Bulgaria under a local decision is unlikely.

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