

# Accountant Certification in Lithuania

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# Financial Statements

Declared by

- REPUBLIC OF LITHUANIA ACCOUNTING LAW
  - Business Accounting Standards (BAS)
- LAW ON FINANCIAL STATEMENTS OF ENTITIES



# Business Accounting Standards

- Profit-seeking legal persons with limited civil liability shall handle accounting in pursuance of the Business Accounting Standards.



# Accountant

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



# STOCK COMPANY LAW

## The Company's financial statements

- Company's annual financial statements are approved by the Annual General Meeting.
- The audit in accordance with law is mandatory or wanted by statutes of firm, subsequently it is approved by the statutes.
- Within 30 days after the Annual General Meeting both company's annual financial statements and annual report including the auditor's report shall be submitted to the State Register.



# Requirements of Audit

Annual financial reports must be audited where at least two indicators thereof on the last day of the financial year exceed the following limits:

- 1) net turnover during the reporting financial year
  - LTL 12 million; EUR 3.48 million
- 2) the value of the assets specified in the balance sheet – LTL 6 million; EUR 1.74 million
- 3) average annual number of pay-roll workers during the reporting financial year – 50 person



# Financial statements, signing of annual report and approval

- First The financial statements and the annual report signed by the leader (of their obligations, and name).
- The financial statements as well must have been signed by the chief accountant (accountant) or other persons who may manage company accounting records in accordance with the Republic of Lithuania Law on Accounting (state title, first name and last name).



# Requirements for accountants for 2016

Individuals and contract accounting service companies must meet the following requirements:

- 1) comply with the Code of Ethics for Professional Accountants set by professional ethics;
- 2) Should have passed the professional **accounting** and **financial reporting** exam and taxes **exam** .





# Competent professional service

- Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service.
- Professional competence may be divided into two separate phases:
- (a) Attainment of professional competence; and
- (b) Maintenance of professional competence



# Insurance

- Accounting service companies must insure their civil liability with general liability insurance.
- Annual general liability insurance has to be not less than 10 000 LTL (EUR 3000)



## **Duties of Authority (1)** Government implements obligatory functions for defined requirement

- approve identified exam programs;
- approve the requirements of entities with the right to organize the exams, maintains a list of such entities, entry into it and delisting procedures;
- provide the procedure for the organization of examinations, evaluation methodology, and appellate practice;



## Duties ( 2 )

- Establishes the exam payment for public sector employees ;
- Carry out the evaluation of exams;
- Manage the list of entered ones ;
- Define the conditions on the acknowledgement of tests in Republic of Lithuania



# Researches

At the beginning of 2013, 183 interviews were performed with managers of Lithuanian accounting firms

Representing SWOT analysis of interviews

# Strenghts

- Focus on quality
- Increasing perception of image, trust and respect for accountant
- Increasement of work load and fees
- Service quality assurance



# Weaknesses

- Fear for the proceeding of testing, as attendant is unfamiliar with test
- Consistency of probable programmes
- No differentiation
- It is unclear whether maintained qualification will be recorded (acknowledge) (recognition of the maintained qualification)
- Requirement to take an exam in other city. (Long distances between cities )



# Threats (1)

- Huge expenditure for certification
- Decrease in value of higher education
- Only an opportunity for interested parties to fill own bank account
- Potential corruption and purchase of certificates





# Threats (2)

- Downplay dignity of accountant profession
- Low level competence of supervisors
- The end of SME' s
- Age discrimination ( older ones )
- Increase in market price of accounting outsourcing
- Acknowledgment of unexperienced graduates
- Inconsistency between requirements for accountants and their salary



# Opportunities

- Check own professional skills
- Keep professional position in market
- Avoid consequences caused by incompetent accountants
- Manage accounting more effectively
- Reach out for more advanced ratio of government
- Advantage for the government



# Who experiences financial loss ?

## Creditors :

- employees
- budget
- state social insurance
- mandatory health insurance
- loans granted from borrowed funds
- loans received by the state
- guarantee for support provided by the European Union
- **private business**
- **other**



# DIRECTIVES

DIRECTIVE 2013/34/EU OF THE EUROPEAN  
PARLIAMENT AND OF THE COUNCIL

of 26 June 2013

on the annual financial statements, consolidated  
financial statements and related reports of certain  
types of undertakings, amending Directive 2006/43/EC  
of the European Parliament and of the Council and  
repealing Council Directives 78/660/EEC and  
83/349/EEC



# DIRECTIVE 2013/34/E

- (13) However, micro-undertakings should still be subject to any national obligation to keep records showing their business transactions and financial position.
- (9) Annual financial statements should be prepared on a prudent basis and should give a **true and fair view** of an undertaking's assets and liabilities, financial position and profit or loss.



Is accountant certification required ?

