

# Assessment of actual accounting practices in ERE's regulating activity

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- The regulator and the aspects of taxes for a uniform information system of accounts or an acceptable version by ERE.
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## **Regulator and tax aspects for a uniform information system of accounts or an acceptable version by ERE**

- The system of accounts applied so far from the licensed companies in the energy system carries out rigorously Law No. 7661 dated 19.1.1993 "On Accountancy." For the achievement of the targets of accounting normalization, the law envisages also the relevant technical tools, considering as fundamental "the general accounting system" introduced as "The general accounting plan."
- Within 2006, ERE is expected to approve an equal accounting system to the licensees in the energy sector.

# Subaccounts

- The plan of accounts is compiled in full compliance with the provisions of General Accounting Plan.  
The basic accounts are the ones with three figures and those with four figures.  
The coding and heading of subaccounts should be the same with those envisaged in the General Accounting Plan.
- A further subdivision of the accounts in the general accounting plan is allowable if the class order is respected.
- If some operations can not be recorded in the accounts envisaged in the General Account Plan, new accounts to be opened should be approved conforming to the regulations in effect.



# Instructions to every licensee

- Each licensed company in electric power sector performing more than one of the activities related to production, transmission and distribution of electricity, has separate accounts for each operation in its account unit and it also prepares consolidated account balances in accordance with the required accounting practices pursuant:
  - -Law No. 7661 dated 19.01.1993 "On accountancy",
  - Article 33 of law No. 9071 dated 22.05.2003 "On energy sector,"
  - International accountancy standards.

# Instructions to every licensee

## (continued)

- These companies also have separate accounts for the activities that are not related to generation, transmission and distribution of the electric power, avoiding discrimination, undersubventioning and competition distortion.
- They have separate accounts for each activity as they were separate companies.

# Actual methods and standards specified in applicable accountancy laws

- Law "On accountancy" considers the method of historical cost as a basic assessment method. According to the method of historical cost:
  - Assets get recorded in bookkeeping and presented on the balance sheet for the amount of liquidities or equivalents of liquidities payable at the time of the asset entry in company's equity.
  - The debits get recorded for the amount of liquidities or liquidity equivalents at the time of signing of liabilities and in some cases for the amount of liquidities the company has to deposit in order to write off the operation in the normal course of the company's activity.

# Actual methods and standards specified in applicable accountancy laws

## ■ **Methods of cost computation in special cases.**

The law "On accountancy" envisages conduct of assessment of assets, which cost and price can change during application for the same item (e.g. Price of sale of a material, production cost of the product etc.) in compliance with the following methods:

- through the weighted average
- through the depreciation according to the entry chronological order or "first in-first out".



# Actual methods and standards specified in applicable accountancy laws (standards)

- Law No. 8438, dated 28.12.1998 "On income tax"
- Law No. 9136 dated 11.9.2003 "On collection of contributions under the National Insurance in the Republic of Albania."
- Law No. 7928 dated 27.04.1995 "On value-added tax"

# Reporting time

- Law No. 9072 dated 22.5.2003, article 22.1 envisages: The licensees to present to ERE, not later than three months from the end of year, the complete financial balance sheets. These annual reports include the following:
  - A summary of the revenues and expenses for each special activity of generation, transmission and distribution;
  - Summary of the regulations on allocation of the incomes, spent assets and responsibilities through activities of business and affiliates.
  - Supplementary materials ERE might require.

## Reporting time (continued)

- Implementing article 18 of Law no. 7661 dated 19.1.1993 "On accountancy," the reporting deadlines are as follow:
  - Albanian Power Corporation (KESH. sh.a) up to June 30
  - OST sh.a. up to April 30
  - Others up to March 31.

Thank you!