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GRADUATION THESIS

**THE COMPARISON OF FINANCIAL REPORTING IN MACEDONIA
AND SLOVENIA**

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IZJAVA

Študentka Tanja Gjorgieva izjavljam, da sem avtorica tega diplomskega dela, ki sem ga napisala pod mentorstvom dr. Sergeje Slapničar, in da v skladu s 1. odstavkom 21. člena Zakona o avtorskih in sorodnih pravicah dovolim njegove objave na fakultetnih spletnih straneh.

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INTRODUCTION

Financial reporting deals with the preparation of financial statements (Melville, 2008, p. 3). Its goal is to provide useful information to potential investors, creditors and others in making resource allocation decisions. Provision of transparent information is crucial for an efficient market and a strong prerequisite for imposing market discipline. Therefore, high quality financial reporting is the foundation of an efficient market economy and a country's sound financial system.

This graduation thesis focuses on the financial reporting specifically in two countries: Macedonia, a non-European Union country and Slovenia, an European Union country, which were once included in the single unified economic system of Socialist Federative Republic of Yugoslavia (SFRY).

As a constituent part of former SFRY, both Macedonia and Slovenia lived through the system of social ownership. At the outset of the breakup of SFRY, the condition of the Macedonian and Slovenian economies reflected the multi-decade building of socialist system characterized by elements of planned economy. The transition to market economy caused macroeconomic instability and aroused an inevitable need for economic restructuring and legal adjustments in the socio-economic sphere. The highly criticized privatization of state owned capital in both countries left long-lasting consequences, particularly in Macedonia (Micevska et al., 2002, p. 3–5).

Nowadays, the most widely used company forms in Macedonia and in Slovenia are the limited liability companies (“*d.o.o.*”) and joint stock companies (“*d.d.*”) (“*a.d.*”) (ROSC CG in Slovenia, 2004, p. 3; Tikvarovska et al., 2007, p. 33). Similarly to other countries in transition, nowadays Macedonia shares most of the features of corporate governance structure with majority transition countries. Still, the major distinctive feature of the country is the companies’ ownership structure, which developed through the privatization process. Majority of Macedonian companies have a diffuse ownership structure, which directs the principle-agent towards the shareholder-manager conflict. The predominance of such ownership structure even further emphasizes the need for a coherent and recognizable disclosure and transparency framework. Providing good quality corporate information would increase the transparency and decrease the capital costs, which is important for promoting investment and fostering capital market development (Hadzi Vasileva Markovska, 2010, p. 1).

Macedonia and Slovenia, regardless of their differences in the level of economic development, share many similarities in view of the company forms, corporate structure and governance, even in the financial reporting practice which having in mind the circumstances in the past, is quite understandable. The purpose of this paper is actually to compare the financial reporting and its regulatory framework between these two countries. The objective is to find the major areas of differences and similarities between the countries’ financial

reporting legislation, usage of accounting and financial reporting standards and the stock exchange regulations. In addition, this may be of great importance, since Slovenia is aiming to become one of the most important investing stakeholders in Macedonia.

The sources used for this purpose were gathered from literature concerning the financial reporting, from chapters in textbooks, articles in academic journals regarding the implementation of IFRS within the national accounting practices particularly in Macedonia and Slovenia, the legal acts of these two countries regarding financial reporting including the Company Law/ Companies Act, the Securities Law/ Financial Instruments Market Act and supplementary legal acts and finally the stock exchange regulations.

The thesis is structured as follows: the first chapter comprises the general regulatory framework concerning financial reporting. Then the second and third chapters include those systematic concepts applied in the examples of Macedonia and Slovenia. A general overview of Macedonia's financial reporting legislation including the Trade Company Law, Regulation on Accounting, Securities Law and a special overview of the Banking Law and Profit Tax Law, followed by an insight of the applicable accounting and financial reporting standards in the Macedonian practice and finally the overview of the stock exchange regulations in Macedonia. The same approach is applied in the Slovenian example. The fourth chapter contains the comparison with the main areas of differences and similarities between both countries, with more emphasis on the mutual divergences. And finally, the diploma paper ends with the conclusion.

1 FINANCIAL REPORTING REGULATORY FRAMEWORK

The content and form of the financial statements, especially in case of larger companies, must be regulated. Strict rules are required to prevent false impression of companies' overall performance represented through the financial statements. The spectrum of rules and regulations that apply to financial reporting compose the "financial reporting regulatory framework" and consists of (Melville, 2008, p. 4–6):

Legislation: Usually the legislation defines the set of rules with which companies must comply when preparing the financial statements. In many European countries the Company Law regulates the financial reporting. However, the legislation in most European Union (hereinafter EU) countries has emerged as a result of EU Directives. Non-EU countries or third countries, which strategize to become part of EU, set up their jurisdiction according to the *acquis communautaire*.

Accounting standards: Accounting standards are the methodological regulation that governs the accounting treatment of transactions and other items listed in the financial statements. For most of financial history, companies have issued financial statements based on the accounting standards of the country in which they are headquartered (Needles & Powers, 2005, p. 1).

Ever since globalization took its forces and many companies started operating worldwide, a need for harmonization of accounting practices and uniformity in financial reporting has risen. To foster this harmonization and uniformity on a worldwide basis, various organizations and institutions have been created at both national and international level (Baker & Barbu, 2007, p. 604). Most of the developed countries have established their own standard-setting bodies, each of which is responsible for formulating and issuing standards for the country concerned. Still, on an international level the International Accounting Standards Board (IASB) sets the International Financial Reporting Standards (IFRS), which are accepted worldwide.

Stock exchange regulations: Companies whose shares officially quote on a stock exchange have to adhere to certain stock exchange regulations. Those regulations may obligate companies to different requirements from the legislation and the accounting standards. Differences may refer to, for example: issuing a detailed analysis of some items in the financial statements, which are not required by legislation, publishing financial statements on frequent basis and publishing every kind of information that would affect the price of the shares. For the sake of achieving greater accounting transparency and for facilitating the operations on the global capital market, the International Accounting Standards Commission (IASC) signed an agreement with the International Organization of Securities Commissions (IOSCO). Consequently, the Securities Exchange Commissions required companies to prepare financial statements in accordance with the globally recognized accounting standards (Cuijpers & Buijink, 2005, p. 488–490).

2 FINANCIAL REPORTING REGULATION IN MACEDONIA

After gaining independence in 1991, Macedonia remained the least developed of the Yugoslav republics. From then on, a series of political conflicts hindered the economic growth, but the implementation of extensive fiscal and business sector reforms has maintained the macroeconomic stability. Since the Stabilization and Association Agreement with the EU, the economic orientation has moved towards Western Europe, with EU integration as one of the country's main objectives. In 2005 EU granted Macedonia a candidate status (Deari, 2010, p. 140).

The first World Bank's Report on Standards and Codes in Accounting and Auditing (hereinafter ROSC A&A) in 2003, made a suggestion for improving the financial reporting regulatory framework in Macedonia. For that purpose a National Steering Committee was formed, which comprised of public and private sector stakeholders with a common interest in financial reporting. Along with the support from the World Bank, this Committee developed a strategy and an action plan to enhance the quality of financial reporting. A number of key institutional stakeholders were involved in the implementation of this strategy, including the Ministry of Finance of the RM, the National Bank of the RM, The Public Revenue Office of the RM, The Central Registry and the Institute of Certified Auditors of the RM. The final

outcome of the action plan and strategy was the implementation of reforms that would strengthen the financial regulatory, so that a high quality financial reporting could be achieved (NSC, 2006, p. 5–8).

2.1 Financial reporting legislation in Macedonia

The goal to attain EU membership has been a driving force in setting the *acquis communautaire* as an important benchmark on the subject of financial reporting especially the Trade Company Law which sets the framework for accounting in Macedonia.

2.1.1 Trade Company Law

The fundamental law regulating the accounting in Macedonia is the Trade Company Law (Official Gazette No. 28/2004, No.48/2010) and the Regulation on Accounting (Official Gazette No. 159/09). The new Trade Company Law was enacted in 2004, replacing the 1996 Law which has provided to be deficient. The expectations were that the new Law will resolve the shortcomings of the old one, especially the ones related to the disclosures and transparency requirements (Hadzi Vasileva Markovska, 2010, p. 2).

The Trade Company Law regulates the bookkeeping, the composition of annual accounts, financial statements and the consolidated financial statements for the commercial entities. It presents four types of trading companies, each of which have to fulfill at least two conditions out of three, which are, number of employees, annual turnover and average assets:

Table 1: Classification of companies by the Macedonian Trade Company Law

	Micro company	Small company	Medium-sized company	Large trading company
Numbers of employees	Less than 10	Less than 50	Less than 250	Above 250
Annual turnover (in EUR)	Less than 50.000	Less than 2.000.000	Less than 10.000.000	Above 10.000.000
Average assets (in EUR)	/	Less than 2.000.000	Less than 11.000.000	Above 11.000.000

Source: Trade Company Law, Article 470, Official Gazette of the RM No.28/2004

The new version of this Law, in article 469, prescribes that “**each large and medium-sized company, companies as specified by the law, as well as companies performing banking activities, insurance activities, companies listed on the Stock Exchange and companies whose financial statements are included in the consolidated financial statements of the above-mentioned companies, shall be obligated to prepare and submit financial statements in accordance with the adopted IFRS, published in the Official Gazette of the RM. Other entities may prepare and submit financial statements in accordance with the IFRS,**

if it is thus determined by this law or other regulation of if they decide to apply them”. The new amendment (Official Gazette of the RM No. 47/10) requires “all small-and-medium enterprises to apply the IFRS for SMEs approved by the IASB, after their enforcement in the Official Gazette of the RM in 2011”.

According to the above-mentioned Article from the Trade Company Law, each commercial entity is obligated to keep accounting records and submit annual accounts in a way determined by the accounting regulations. Article 471 prescribes that each entity, in accordance with the principles of proper keeping of accounts, must keep its trade books in a way that clearly reflects all business and legal operations and the position of its assets, liabilities, equity, revenues and expenses. The trade books should be kept according to the double entry accounting system and should be kept by applying single accounts as set by the Charts of Accounts, which prescribes the accounts that are obligatory for all trade companies. According to the Article 472, the entity should keep their trade books in Macedonian language, using Arabic digits and values expressed in MKD Denars¹. All data registered should be comprehensive, complete, prepared in a timely manner, up-dated as necessary, presented chronologically and should accurately reflect the time sequence of their occurrence. The legal entity should provide access to their trade books and guarantee their availability at any time. According to Article 476, the prescribed entities in the article 469 are obliged to prepare their annual accounts and annual reports by the end of the operating year.

The annual accounts are composed of a balance sheet and an income statement with the corresponding notes, whilst the financial reports include a balance sheet, an income statement, a cash flow statement and a statement of changes in equity with the corresponding explanatory notes and the applied accounting policies, all prepared in accordance with the IFRS. The former are prepared by the micro entities and SME, whereas the latter are prepared by large entities which are obligated by this law to apply the IFRS. The annual accounts and annual report for the same operating year, prepared according to the provisions of the Company law and the accounting regulations, should contain identical data for the position of assets, liabilities, equity, revenues and expenses. The Ministry of Finance prescribes the format and content of the annual accounts. The annual accounts are submitted to the Central Register no later than two months after the end of the operating year (Trade Company Law, Article 477).

According to the Macedonian Trade Company Law, regulation for preparing and presentation of financial statements is rather a formal than a substantive guide. It does not mention other criteria like IAS 1 for fair presentation, going concern, accrual basis, consistency of presentation, materiality and aggregation, comparative information etc. (Deari, 2010, p. 141). However, the new Regulation on Accounting (Official Gazette of the RM No. 159/09) covers those criteria.

¹ MKD Denar is the official currency in Macedonia.

2.1.2 Regulation on Accounting

As part of the strategy and action plan of the National Steering Committee in Macedonia to strengthen the institutional reforms in accounting, was the introduction of the IFRS and their application from 1.1.2010 (Hadzi-Vasileva Markovska, 2010, p. 506). The new Regulation on Accounting was published in the Official Gazette of the RM in 2009 and it replaced the old one from 2004. As the Trade Company law prescribed “the IAS are up-dated on an annual basis so that they can be in a compliance with the current standards and their amendments issued by the IASB” (Trade Company Law, Article 469), this was not the case. The latest version of IAS/IFRS was published in 2005 and before that in 1999. Such a delay in the standards’ translation was problematic, since Macedonian translations of the accounting standards were far behind from the current standards used worldwide.

The new Regulation on Accounting (Official Gazette of the RM No. 159/09) contains standards referred to as the IAS, IFRS, Interpretations of the committee for interpretations, Interpretations of the committee for interpreting IFRS, all specified by the IASB.

2.1.3 Securities Law

The Securities Law (Official Gazette of the RM No. 95/05, 07/08, 57/10) provides additional disclosure requirements for the joint stock companies with special reporting obligations. The required companies need to publish information regarding company’s financial position, change in capital structure, legal status and their business activities, as well as information on the members of the management board. According to this Law, joint stock companies with special reporting obligations need to submit quarterly, semi-annual and annual financial reports in accordance with the IFRS. The publication of their audited financial statements needs to be issued within 15 days after their approval by the Company’s General Assembly, whereas the publication of the un-audited financial statements needs to be issued twice a year, i.e. 30 days upon the completion of the 6 months’ term (Securities Law, Articles 154-156). This Law entitles the Securities and Exchange Commission of the RM as the regulatory body, with the legal powers to supervise the fulfillment of financial reporting requirements of the required companies.

2.1.4 Banking Law

As the Trade Company Law specified, all banks must prepare their financial reports according to the IFRS. The Banking Law (Official Gazette of the RM No. 67/07...07/10) orders all banks to submit their un-audited semi-annual and annual financial reports within 30 days after the end of the reference period, the audited financial report within 8 days together with the auditor’s report, as well as a monthly report on the balance and transactions on all accounts in the bank’s chart of accounts to the National Bank of Macedonia (NBRM). The banks’ chart of

accounts, the methodology for recording and valuating the accounting items and the methodology for preparation of the financial statement, the contents of financial statements and the notes to those statements are determined by the National Bank Council. The new “methodology of recording and valuating of accounting items and preparation of financial statement” based on the IFRS and the Interpretations by the ISC, and the new “guidelines on the types and content of financial statement of banks” (Official Gazette of the RM No. 67/10) were enforced in the beginning of 2011. In addition, the NBRM had issued its own regulations in view of disclosure obligations and the auditing of bank’s financial statements and thus the “decision on reports and data disclosures by the bank” (Official Gazette of the RM No. 134/2007) and the “decision on the scope of audit of the bank’s operations and annual financial statements” (Official Gazette of the RM No. 146/2007)².

2.1.5 Profit Tax Law

The Profit Tax Law (Official Gazette No. 80/93...159/08) determines the tax base as the “profit determined in the tax balance”. The profit represents the difference between the total income and expenditure of the taxpayer as determined by the accounting regulations, excluding the income and expenditure that are differently determined by this Law (Profit Tax Law, Article 8). Accordingly, the profit determined by the accounting rules is different from the profit determined by the tax rules. The tax legislation prescribes different methods of recognition of income and expenditure, in a way different from the accounting regulations and accounting.

2.2 Accounting and financial reporting standards in Macedonia

According to the Trade Company Law, the financial statements for the required entities must be prepared according to the IFRS. As Whittington (2005, p. 127) points out, several ‘transition’ economies of Eastern Europe which did not have established local standards, were either adopting or permitting the use of international standards. That was the case in Macedonia. Adopting the International Accounting Standards as national standards was thought to be the best tool for building a comparable and transparent financial reporting system that would help investors make informed financial decisions. However, it was soon realized that the legal setup, especially if it was not perfectly instituted, was not sufficient to serve the goals for which it had originally been put in place (Hadzi Vasileva Markovska, p. 3).

2.2.1 Implementation of International Accounting Standards in Macedonia

In the process of reformation in the sphere of accounting and financial reporting, Macedonia decided to implement the IASC’s IAS in 1998 and to use the same in practice in the following

² From the official web page of NBRM, <http://www.nbrm.mk/default-mk.asp>; Retrieved on August 26, 2011.

year. Since their initial implementation, there were several volumes of translations of the accounting standards.

The 1999 volume translation

The 1999 volume of IAS was translated and published in the Official Gazette of the RM and they were consequently endorsed as the national accounting standards and were the reference for preparation of the financial statements. Because Macedonia has a written law tradition, all IAS enacted after 1999 and all post-1999 amendments to the existing IAS were not applicable in Macedonia. Therefore, financial statements prepared in conformity with the 1999 translation could not claim full compliance with IAS, as financial statements should not be described as complying with IAS unless they comply with all the requirements of each applicable standard and each applicable interpretation of the Standards Interpretation Committee (ROSC A&A FYR Macedonia, 2003, p. 2).

The 2005 volume translation

The next publication of the translated IAS was published in the Macedonian Official Gazette in 2004. The Regulation on Accounting (Official Gazette No. 94/04, 11/05, 116/05) comprised the IASC's version of IAS. The amendments introduced the IASB's IFRS and IFRIC's interpretations. However, a yearly up-date of these versions was not visible in the following years. The report from the European Commission pointed out the problem of the untranslated standards (Hadzi Vasileva Markovska, 2010, p.506). The alignment of the legal framework with reference to accounting and financial reporting in Macedonia trailed behind. In order to obtain a continuous process of up-date translations of the standards, a proactive involvement of a professional body was necessary.

The 2010 volume translation

The new Regulation on Accounting (Official Gazette of the RM No.159/09) contains the standards referred to as the IAS, IFRS, Interpretations of the committee for interpretations, Interpretations of the committee for interpreting IFRS specified by the IASB, all effective from 2010 onwards. On the other hand, IAS 10 (Events after the Reporting Period) and IFRS 9 (Financial Instruments) as well as IFRIC 18 (Transfers of Assets from Customers) and IFRIC 19 (Extinguishing Financial Liabilities with Equity Instrument), have not been published in the Official Gazette and are therefore not yet applicable in Macedonia. Further updates and publishing are expected to be completed in 2011 (Hadzi Vasileva Markovska, 2010, p.507). Their implementation in practice is still questionable and is yet to be evaluated by a foreign body of experts³.

³ **Foreign body of experts** refers to all international organizations and institutions which have the supervisory power over the implementation of certain reforms in Macedonia. As mentioned before, the World Bank through the ROSC A&A assessed the financial reporting by evaluation of the quality of accounting and auditing. Ever since Macedonia acquired the EU candidate status, the country is constantly under the scrutiny of the European Commission as well.

2.2.2 Accounting and financial reporting standards for SMEs

As recently the IASB developed a simplified system of standards for SME, these standards were expected to be implemented in Macedonia in 2011 and hence, as an amendment to the latest Regulation on Accounting, they were published in the Official Gazette of the RM on 10.08.2011. They will be officially in use from 1.1.2012. Medium-sized companies in Macedonia will start using these standards and will no longer apply the IFRS as demanded by the Company Law (Kniprokom, 2011).

2.2.3 Professional regulation on accounting and auditing in Macedonia

The accounting regulatory body in Macedonia is quite undeveloped. There are two specialized institutions present, but their functionality remains on a low level. These are the Union of Accountants and Financiers and the Macedonian Chamber of Accountants and Financiers (Aleksavska, 2007, p. 106).

The Institute of Certified Auditors of the Republic of Macedonia (ICARM) was formed in 2006 by a group of certified auditors, with the purpose of improving the auditing services and the quality of financial reporting in Macedonia. The ICARM acts in compliance with the Law of Audit and its objectives range from implementation, monitoring and application of the International Standards of Auditing (ISA), the code of Ethics for professional accountants, the IAS, the IFRS, as well as up-dating and translating, to organizing and conducting continuous professional education and training. The Institute has adopted the program and conducts the exams needed for acquiring the title of a “certified auditor”. However, the Ministry of Finance of the RM issues the certificates and authorizes the licenses to certified auditors and audit companies. The ICARM functions in practice were noticeably lacking in the past years. Recently, the Institute has become an associate member of the International Federation of Accountants (IFAC) and this implies that the Institute’s credibility and capacities would eventually be strengthened⁴.

2.3 Stock exchange regulations in Macedonia

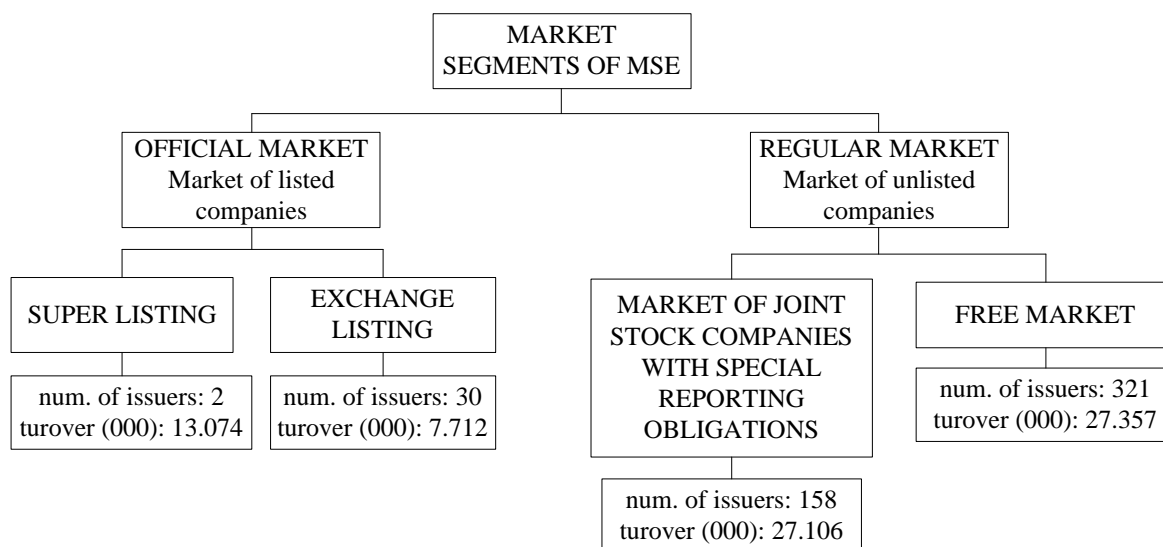
The modern history of the Macedonian capital market is associated with structural changes in the 1990s, crossing the country's transition to free market economy. The process of privatization has resulted in the formation of more joint stock companies, which raised the need for creating appropriate market infrastructure for the transfer of newly created securities. The official start of trading on Macedonian Stock Exchange (hereinafter MSE) occurred in 1996. That was the year that limiting factors were detected for the development of

⁴ From the official web page of ICARM, <http://www.iorm.mk/eng/index.html>; Retrieved on August 26, 2011

secondary market securities.⁵ Those factors were the impetus for the stock unit to initiate permanent solutions for developing trade and market expansion of securities in general. The years that followed showed that the stock market grew gradually, along with economic development and intensification of reforms. With the introduction of the mandatory listing on the Macedonian Stock Exchange, the companies were obligated to submit periodic and annual financial reports and to publish price sensitive information with which their transparency somewhat increased. All price sensitive information are now published through SEI- NET (System for Electronic Information from listed companies on MSE), an internet application for reporting of the listed companies.

MSE market is divided into many segments. The classification of MSE's market segments, along with each category's trading data in Euros and number of listed companies, is shown in Figure 1 below:

Figure 1: Market segments classification on the Macedonian Stock Exchange



Source: Macedonian Stock Exchange a.d., Skopje

There are listing requirements for admission on the MSE market for each categorization, which apply to both, the new applicants and for the already listed issuers. In certain cases the MSE may impose additional requirements.

2.3.1 Macedonian Stock Exchange Listing Rules

The “Listing Rules” is the basic act that imposes obligations and requirements for financial and corporate reporting for the listed companies of MSE. The monitoring of the fulfillment of the continuing obligations is of utmost importance for the maintenance of an orderly

⁵ *Kratok istoriski pregled na Makedonskiot pazar na kapital*. Retrieved on July 15, 2011 from http://www.altavistabroker.com.mk/index.php?option=com_content&view=article&id=62&Itemid=66&limitstart=1

securities market and for ensuring simultaneous access to information to all its participants. The issuer of listed securities must submit to MSE any information required. Then the MSE makes available all the submitted financial statements and price sensitive information to the public through SEI-NET. MSE Listing Commission monitors the fulfilment of the continuing obligations of the issuer (MSE Listing Rules, 2009, p. 16–18). There are certain disclosures that need to be revealed such as:

- General disclosures of data and information
- Disclosures relating to: the business, the capital, the financial position, the dividend calendar, the shares in public hands
- Disclosure of major participation

Listing rules for Official Market

In the “Listing Rules”, there are **special disclosure requirements for companies whose shares are listed on the Super listing and the Exchange Listing**. Those special disclosure requirements regarding the financial reporting are the following (MSE Listing Rules, 2011, p. 18–20):

- The issuer is obliged to publish the **full annual consolidated audited financial statements** (including the balance sheet, the income statement, the cash flow statement, the statement of changes in capital equity, the notes to the financial statements and the auditor’s opinion) no later than 7 days after the Shareholder’s Assembly’s adoption of the financial statements.
- The issuer is obliged to submit the **cumulative unconsolidated and unaudited income statement** for the first 3 months and for the first 9 months within 45 days after the respective period, as well as **the semi-annual and the annual unaudited cumulative consolidated and unconsolidated income statement** within 60 days after the end of the financial year. The issuer who is obliged to prepare consolidated reports shall submit the report for the first 3 months, the semi-annual report and the report for the first 9 months, within 60 days after the end of the respective period. The issuer is also obliged to submit all other financial reports that the issuer publishes in to the Registry of joint stock companies with special reporting obligations administered by the Security and Exchange Commission.

Additional required reporting obligation for the issuers of the Super listing segment is that all the financial statement and notifications must be submitted in both, Macedonian and English languages.

Listing rules for Regular Market

The market of joint stock companies with special reporting obligations is a market segment of the “Regular market” on which the unlisted securities, issued by the companies that are entered in the Register of the Securities and Exchange Commission of the Republic of

Macedonia, are traded. These companies have disclosure obligations to the public according to the Securities Law and the acts of the Security and Exchange Commission. The Securities Law (Official Gazette of the RM No. 95/05...57/10) imposes the obligation for such companies to publish their annual report which shall include audited financial statements in compliance with the IFRS, along with the auditor's opinion in compliance with the ISA. Moreover, data on members of management, their percentage share in the capital of the company and the policy for dividend distribution shall be submitted as well. The Law also stipulates the obligation for publishing quarterly financial statements within 30 days after the reference period (Securities Law, Articles 154-158).

The new amendment to the Securities Law (Official Gazette of the RM No. 57/10) introduced the reporting obligation for the companies which shares are quoted in the Free Market segment. These companies are supposed to disclose data on revenue, profit before and after tax, profit per share, dividend per share, statutory changes and any data that would possibly affect the financial position of the company. All these data should be published on the MSE's web page. Until the introduction of this amendment, the companies from the Free Market segment did not have any disclosure and reporting obligations. So, this novelty is aiming to attract potential investors to invest in these companies (Andonov, 2010, p 204).

3 FINANCIAL REPORTING REGULATION IN SLOVENIA

Twenty years after independence from the SFRY, Slovenia is among the most advanced of all economies in Eastern Europe. With the accession in the European Union in 2004 and with the adoption of the Euro on 1 January 2007, Slovenia has become a model of economic success and stability in the region. Despite its economic success, foreign investment in Slovenia has trailed behind the region average, and taxes remain relatively high (CIA World Factbook, Slovenia). In order to meet the expectations and the needs of foreign users-investors, the adaptation of IFRS is crucial. Especially after the world recession which caused serious contractions to the economy and financial sector in general. Nevertheless, after gaining EU membership, Slovenia started improving the deficiencies in the framework for accounting and auditing and its practical application.

3.1 Financial reporting legislation in Slovenia

Slovenia's legal institutional framework is aligned with *acquis communautaire*. In the area of financial reporting and auditing, Slovenia implemented the Fourth, Seventh and Eighth EU Company Directives and the IAS.

3.1.1 Companies Act

The basic legal act that regulates the accounting and financial reporting in Slovenia is the Companies Act (Official Gazette of the RS No. 65/2009). Article 54 concerning the general

accounting rules, prescribes that “the companies and the sole traders must keep the books of account and make yearend accounts once a year in accordance with the Slovenian Accounting Standards or the International Financial Reporting Standards, unless otherwise stipulated by the law. Annual financial statements shall be compiled every financial year on the basis of the closed books of account within three months after the end of the financial year, as well as the annual report”. Moreover, the Article sets that “books of account shall be kept in accordance with the double-entry book-keeping system. At least once a year the balance of individual assets and liabilities items in the books of account shall be checked against their actual balance. More detailed rules on accounting shall be defined by the SAS which are adopted by the Slovenian Institute of Auditing (SIA) in agreement with the ministers competent for economy and finance”. The Companies Acts in Article 54, lines 10 and 11, clearly stipulates that **“Companies, whose securities are listed on one of the organized securities markets in the European Community Member States and which are subject to consolidation, must compile consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). In addition to the companies referred to previously, financial reports in accordance with the IFRS shall be also compiled by banks, insurance companies and other undertakings, if so decided by the assembly of the undertaking, but for the minimum period of five years”**. On the other hand, other companies that are not required to use IFRS apply the SAS.

The annual report of the companies mentioned above in Article 54 must contain a balance sheet, an income statement, a cash flow statement, a capital flow statement, annexes with notes to financial statements and a business report. All those accounting statements and the annexes with notes to accounting statements shall form an accounting report. The companies must, within three months after the end of a calendar year, submit the data from annual reports on their property and financial operation and profit and loss account to the Agency of the Republic of Slovenia for Public and Legal Records and Services-AJPES for the national statistics and other purposes of recording, analyses, information, research and tax. The audit of the annual report shall be performed within six months of the end of the financial year. (Companies Act, Article 54).

Slovenian Companies Act presents four types of trading companies each of which has to fulfill at least two conditions out of three, which are number of employees, annual turnover and average assets:

Table 2: Classification of companies by the Slovenian Companies Act

	Micro company	Small company	Medium-sized company	Large trading company
Numbers of employees	Less than 10	Less than 50	Less than 250	Above 250
Annual turnover (in EUR)	Less than 2.000.000	Less than 8.800.000	Less than 35.000.000	Above 35.000.000
Average assets (in EUR)	2.000.000	Less than 4.400.000	Less than 17.500.000	Above 17.500.000

Source: Companies Act, Article 55, Official Gazette of the RS No.65/2009

With the change of Companies Act in December 2004, the SAS are mandatory in Slovenia with certain exceptions. Due to the Companies Act, listed companies preparing consolidated accounts are obliged to prepare financial statements in accordance with IFRS for the periods beginning on or after 1.1.2005. The listed companies with only debt securities are obliged to use IFRSs for the periods beginning on or after 1.1.2006. Other companies can use IFRSs on the basis of the conclusion of shareholders' assembly for the periods beginning on or after 1.1.2006. Banks are obliged to use IFRSs for the periods beginning on or after 1.1.2006 and insurance companies are obliged to use IFRSs for the periods beginning on or after January 1st, 2007 at the latest. So, in line with the European Commission (EC) Regulation No 1606/2002, Slovenia requires IFRSs in the consolidated accounts of listed companies. Moreover, Slovenia opted **to permit but not require** the listed companies to use IFRSs in their annual accounts. All other companies apply SAS (IFAC, 2009).

3.1.2 Financial Instruments Market Act

Under this Financial Instruments Market Act (Official Gazette No. 67/2007...108/2010), every publicly held company shall report on its financial position, legal status and operations by submitting regular information regarding business events, which might affect the price of its securities. In addition, this Act prescribes the obligations regarding the publications of the annual and semi-annual report along with the auditor's report: "A publicly held company shall publish its audited annual report including the annual financial statements which must be prepared according to the acceptable financial reporting framework and an auditor's opinion along with the business report and the report stated from the management members within 15 days after its adoption by the company's General Assembly". The same stipulations are valid for the semi-annual report as well, only that a summary of the financial statements is provided (a summary of the balance sheet and a summary of the income statements, along with their corresponding explanatory notes). The semi-annual financial reports must be published within 2 months after the reference period and should be available to the public at least 5 years (Financial Instruments Market Act, Articles 110-116). Under this Act, the Securities Market Agency acts as a regulator and has the power to enforce sanctions in case of non-compliance with the financial reporting and disclosure requirements.

3.1.3 Banking Act

The Banking Act (Official Gazette No. 99/2010...59/2011) sets out stricter requirements in the banking sector and specifies the Bank of Slovenia's supervisory role. The Bank of Slovenia, as the banking supervisory agency, imposes special requirements regarding the financial reporting for banks and similar financial institutions. These additional requirements are set forth in regulations based on the Banking Act and relate to the detailed substance of financial statements and annual reports, the valuation method of accounting items, the way of preparing and the way of submitting monthly reports on the accounting balances and transactions to the BS. This Act recalls the application of the accounting rules for banks, presented in the Companies Act. It comprises the disclosure requirements and special rules regarding the bank's annual financial statements as well. Accordingly, the bank shall submit its un-audited annual financial statements within 1 month and its un-audited annual consolidated financial statements within 2 months after the end of the reference period, as well as the monthly reports on the balances of the accounting items. The audited annual report and the audited annual consolidated report both along with the auditor's report shall be submitted within 8 days (no later than 4 months) after the reference period to the BS (Banking Act, Articles 204-213). As part of the Eurosystem, the Bank of Slovenia has an obligation with regard to financial reporting to the National Assembly and the European Central Bank, specified by the Bank of Slovenia Act (Official Gazette of the RS No. 72/2006).

3.1.4 Corporate Income Tax Act

The Slovenian tax legislation imposes an existence of a significant relationship between financial reporting and tax reporting. Therefore, the tax base is closely related to the accounting profit because the profit that the taxpayer has determined in the tax report is the mere difference between the revenues and the expenses as agreed upon with the current accounting standards (SAS or IFRS). Still, there are differences between revenues/expenses determined by accounting rules and revenues/expenses determined by the Corporate Income Tax Act (Official Gazette No. 117/06). Revenues and expenses determined by the accounting rules are adjusted according to the rules regarding the determination of the tax base under the provisions of this Act (Klobučar, 2004, p. 36)

3.2 Accounting and financial reporting standards in Slovenia

European Commission (EC) Regulation No.1606/2002 obliges all European Union (EU) listed companies to prepare consolidated financial statements following IFRSs, so that the unified European capital market may function properly. This regulation considers consolidated financial statements for public companies whose shares are quoted on European capital markets only.

3.2.1 IFRS

With the accession to the EU, Slovenia enforced the EC Regulation No. 1606/2002 and therefore enforced the use of IFRS in consolidated financial statements. Publicly trading companies in Slovenia had to prepare their consolidated financial statements according to the IFRS starting from 31.12.2005. With the first application of IFRS in 2005, those companies had had comparative statements already for 2004 as stated by IFRS 1 (*Presentation of Financial statements*). This means that they had to prepare the IFRS opening balance already for the year starting from 1.1.2004 (Slapničar, 2004, p. 53). In Slovenia, the companies that are not required to use the IFRS apply the local standards, SAS, drawn by the Slovenian Institute of Auditors.

3.2.2 SAS

The first Slovenian accounting standards were set up by Slovenian Institute of Auditors with a leading academic Ivan Turk back in 1993, respecting the mandatory framework of the IAS as well as the accounting directives of the European Union. The SAS were perceived to be a distinctive merger of the Slovenian accounting theory and the international requirements defined by the IASB and EU directives. Initially, there were 32 SAS issued in the 1994 volume. The next volume in 2002 incorporated the concept of fair presentation of assets and liabilities. The last 2006 volume comprised the EU Accounting directives and the Regulation on the application of the IAS (Novak, 2007, p.1-13). Changes in SAS can be considered as a massive step towards harmonization with the IFRS, however some fundamental differences may remain and SAS may not provide the general public with the sufficient information about public interest enterprises (ROSC A&A Slovenia, 2004, p. 13). According to the last Companies Act, Article 54, Line 9, "Slovenian Accounting Standards should summarize the content of Regulations 78/660/ECC and 83/349/ECC and should not be contrary to the International Financial Reporting Standards".

The ROSC A&A suggested in 2004, that in the field of external reporting, SAS were almost completely harmonized with the IFRS. In order to achieve this level of harmonization the profound amendments of SAS were needed in the following cases: tangible fixed assets, intangible assets financial assets and some changes in the financial statements. The most significant was that SAS required certain assets, liabilities and equity to have been revalued for annual inflation as measured by changes in the consumer price index. The outcome of the revaluation was credited or debited to the income statement. This accounting treatment was broadly in line with the general purchasing power approach in IAS 15 (*Information Reflecting the Effects of Changing Prices*) and IAS 29 (*Financial Reporting in Hyperinflationary Economics*), only that Slovenia was not hyperinflationary at that time. With the dramatic change of SAS in 2002, this revaluation was no longer in effect (ROSC A&A Slovenia, 2004, p. 13).

3.2.3 Professional regulation on accounting and auditing in Slovenia

Slovenian Institute of Auditors (SIA)

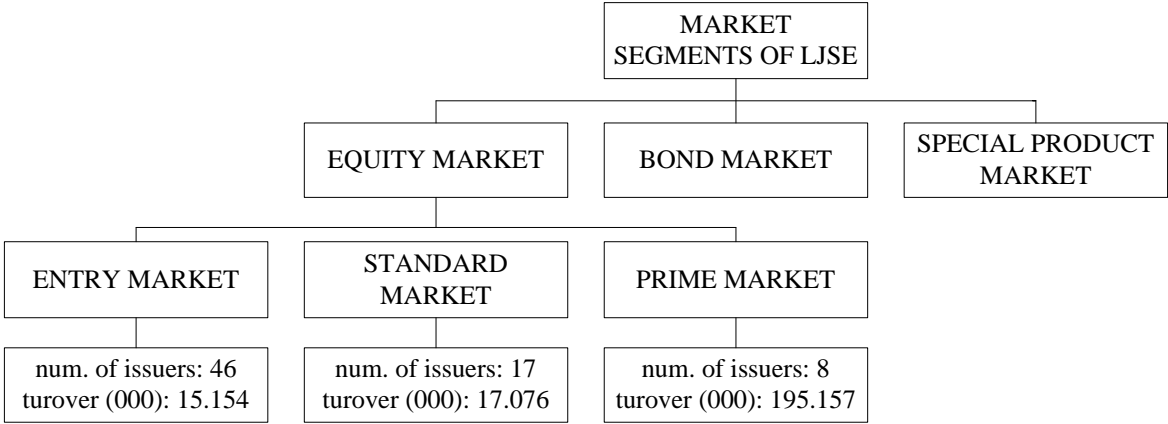
The Institute was established soon after the country’s independence on the basis of the Auditing Act and since then, escorted many accounting and auditing reforms in Slovenia. The institute independently regulates accounting, auditing and valuation services, develops educational programs, controls the quality of audit activities and establishes professional standards in the fields of corporate finance, internal audit, tax compliance and advisory services. In addition, this organization is responsible for adoption and publishing of accounting and auditing standards. It possesses extensive regulatory and supervisory powers and is responsible for coordination of SAS with the IFRS. In the years of its operation the Institute has become proactive not only in Slovenia, but also abroad. The Institute had acquired memberships in many international professional organizations, including the IFAC⁶.

3.3 Stock exchange regulation in Slovenia

The Ljubljana Stock Exchange was established in 1989 and it made a lot of effort to establish itself as a source of funding for the corporate sector. By the following year, a broad range of Slovenian enterprises were listed on LJSE. With the EU integration, LJSE became a part of the unified European capital market and therefore, it had to align to certain EU requirements. Some of those requirements refer to the listing rules that oblige securities listed in LJSE market segments to providing certain disclosures which would increase the market efficiency (Živkovič, 2007, p. 1).

Within the Ljubljana Stock Exchange, there are different market segments. Figure 2 shows the classification of the market segments with the corresponding trading data in Euros and the number of listed companies:

Figure 2: Marker segments classification on Ljubljana Stock Exchange



Source: Ljubljana Stock Exchange, d.d. Slovenia

⁶ From the official page of SIA: <http://www.si-revizija.si/>

As previously mentioned, the Companies Act requires all listed entities to prepare their consolidated financial statements in accordance with the endorsed IFRS. Listed entities have to submit to the Securities Market Agency the audited annual report at least 6 months after the end of the business year, within 30 days after receiving the auditor's report. The annual report in special enclosure has to include all important changes of the data form prospectus and the semi-annual report within two months after the end of the first half of the business year. All the price sensitive information and the financial reports are published through LJSE Internet application SEO-NET. The monitoring and enforcement of financial reporting standards is conducted through special stock exchange's rules based on the Securities Market Act. The primary acts that impose special reposting and disclosure requirements are the LJSE Rules and the Guidelines on Disclosure for Listed Companies.

3.3.1 Ljubljana Stock Exchange Listing Rules (LJSE Listing Rules)

The "LJSE Listing Rules" is the main LJSE act which stipulates the area of securities, securities issuers, member firms and securities trading. It stipulates in particular the conditions for listing and obligations of the issuers. For the issuers in the prime market, there is a quantitative criteria regarding financial reporting that must be fulfilled, such as audited annual reports for three financial years and disclosure criteria such as the issuer's statement committing to disclose information and reports pursuant to IFRS and the issuer's statement on commitment to strive to the best of his abilities to meet the good practices of disclosure, pursuant to the Guidelines (LJSE Listing Rules, 2010, p. 12–13). The disclosure obligations for the Prime Market issuers include the updated on business operations pursuant to the IFRS and updates on business operations for the first three months of the financial year or the first nine months of the financial year (interim reports), pursuant to IAS 34 and the Guidelines on Disclosure for Prime Market Issuers, no later than within two months after the relevant period has elapsed (LJSE Listing Rules, 2010, p. 20).

Likewise, for the issuers in the standard market there is quantitative criteria with regard to financial reporting that must be fulfilled, such as audited financial reports for three financial years and disclosure criteria, such as the issuer's statement committing to disclose information and reports pursuant to IFRS and the issuer's statement on commitment to strive to the best of its abilities to meet the good practices of disclosure, pursuant to the Guidelines (LJSE Listing Rules, 2010, p. 12). The disclosure obligations for standard market issuers include updates on business operations for the first three months of the financial year or the first nine months of the financial year, pursuant to the Guidelines on Disclosure for Standard Market Issuers, no later than two months after the relevant period has elapsed (LJSE Listing Rules, 2010, p. 19–20).

3.3.2 Guidelines on disclosures for listed companies

Guidelines on Disclosure for Listed Companies were drawn up by the Ljubljana Stock Exchange, while taking into account current legislation, Slovene and international best business practices, and similar guidelines effective in other EU Member States. The Guidelines laid down standards of public disclosure for companies listed on the LJSE Prime and Standard Markets. Other public or private companies can also comply with the recommended standards if they wish to provide investors with quality, timely, useful and credible information (LJSE Guidelines on Disclosure for Listed Companies, 2010, p. 4). The Guidelines on Disclosure for Listed Companies recalls on articles from the Companies Act and the Securities Market Act.

In the chapter on regulated information and in the section concerning the annual report this act stipulates the obligation of the issuer to publish a summary of his audited non-consolidated and consolidated annual report as soon as possible and no later than within 30 days after receiving the auditor's report. The final date for publishing a summary of the audited non-consolidated and consolidated annual report is 4 months after the end of the financial year. The summary of the audited annual report should at least contain the following (LJSE Guidelines on Disclosure for Listed Companies, 2010, p. 14–16):

- in-depth and detailed information on the auditor (auditor's firm, auditor's report and opinion)
- balance sheet, income statement, cash flow statement and statement of changes in equity, according to the accounting standards for external business reporting, for the financial year of the annual report and for the previous financial year along with the explanations of individual items in the financial statements
- indication of whether the annual report has been approved by the company's supervisory board and a statement saying that the unabridged annual report is available at the company's registered office
- explanatory notes and analysis of the management board (in particular changes in the management board, in the supervisory board, in the company's core business, its ownership, the company's financial position, expectations for the future, plans, comments on uncertain events that could be significant for the user of the report
- indication whether the financial data match the already published unaudited annual financial data

With regards to the semi-annual report, the issuer should publish a summary of his semi-annual report as soon as possible but no later than two months after the end of the half-yearly accounting period. The same stipulations that were mentioned previously apply to this report as well, only that the data refers to half year. The same stipulations also apply for consolidated annual and semi-annual reports (LJSE Guidelines on Disclosure for Listed Companies, 2010, p. 16–18):

- consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity, pursuant to the relevant accounting standards for external reporting, for the period of the semi-annual report, and comparable data.
- consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity, pursuant to the relevant accounting standards for external reporting for the financial year of the annual report and for the previous financial year.

The Security Market Agency supervises whether the entities reports are in compliance with the prescribed reporting requirements. In accordance with the Securities Market Act, the Securities Market Agency has the supremacy to impose fines in case of non-compliance with the accounting and disclosure requirements. The consequences of non-compliance with the financial reporting, accounting and auditing requirements may range from internal or public warnings and in extreme case, a withdrawal from the stock exchange (IFAC, 2009).

4 AREAS OF DIFFERENCES AND SIMILARITIES BETWEEN THE MACEDONIAN AND SLOVENIAN FINANCIAL REPORTING REGULATORY FRAMEWORK

With the thorough overview of the Macedonian and Slovenian financial regulatory frameworks respectively, many similarities in the regulation of financial reporting can be perceived, however with some explicit differences.

4.1 Areas of differences and similarities in the financial reporting legislation

The fundamental legislative act regulating the accounting and financial reporting in both countries is the Trade Company Law i.e. the Companies Act, except that in Macedonia there is the Regulation on Accounting which serves as a complementary legislative act. The regulation itself prescribes and comprises the relevant accounting standards applicable in the Macedonian accounting practice.

The Banking Law in both countries imposes more or less identical requirements for financial reporting. However, the Macedonian Banking Law points out the NBRM as responsible for prescribing special charts of accounts for banks, whereas the Slovenian Banking Act refers to the accounting rules set in the Companies Act. Nonetheless, there is a difference with regard to the publishing of audited annual reports. The Macedonian Banking Law imposes the obligation of publishing the report in at least one daily newspaper within 15 days after the adoption of the report by the bank's General Meeting of Shareholders (Banking Law, Article 110). The Slovenian Banking Act stipulates publishing of the audited annual reports on banks' web pages within 5 months after the end of the financial year (Banking Act, Article

213). Mandatory disclosures on bank's risk management, on exposure to risks relevant to banks, on capital adequacy, as well as on capital requirements, are required in NBRM's "decision on reports and data disclosure by the bank" and in the Slovenian Banking Act. NBRM in Macedonia and BS in Slovenia act as supervisory bodies, supervising the fulfillment of disclosures and risk requirements.

Relating to the listed companies, both jurisdictions define additional requirements for financial reporting. The primary goal of these additional requirements is to increase transparency, which is of great importance especially after the last financial crisis. Both, the Macedonian Securities Law and the Slovenian Financial Instruments Market Act are used as the foundation for the content of stock exchange regulation in both countries.

When comparing the legislation governing the taxation of profits in Macedonia and Slovenia, what at first glance can be concluded, is the magnitude of their complexity and conciseness. The Slovenian Corporate Income Tax Act is much more complex in defining the basic institutions that concern this matter, than the Macedonian Profit Tax Law. Furthermore, unlike the Macedonian which is rather ambiguous, the Slovenian Law gives a clear enumeration of what is accepted, what is partly recognized or is not recognized in the tax base. On the other hand, the essentials in the legal texts largely overlap. The manner of defining profits, incomes, expenditure, etc. is quite the same. But despite these similarities, there are numerous differences in the quantity of recognized expenses/expenditures when determining the tax base.

As a starting point, both Macedonian and Slovenian tax legislation have slightly different terminology for same concepts, and therefore: revenues in Slovenian legislation are referred as incomes in Macedonian legislation; expenses in Slovenian legislation are referred as expenditures in Macedonian legislation. The term "profit" and "tax base" are found in both legislatives. As mentioned above, major differences are found in the category expenses/expenditures. Regarding the recognized expenses/expenditures there are no particular differences, but regarding the partially recognized expenses/expenditures there are remarkable differences.

In Slovenia, only 50 % of the total amount of the representative expenditures are recognized, whereas in Macedonia such expenses were not recognized at all, until the new amendment to the Law in 2011, which now allows only 10 % recognition (Corporate Income Tax Act, Article 31; Profit Tax Law, Article 11).

According to the Macedonian Profit Tax Law, depreciation expenditure of material and non-material assets is recognized up to the amount calculated on the procurement value of assets by applying the depreciation rates established with the nomenclature of assets' depreciation and their annual depreciation rates for taxation purposes in Macedonia. It is similar with the Slovenian Income Tax Law, which stipulates the depreciation of tangible fixed assets,

intangible assets or investment property to be recognized as expenditure no more than the amount calculated using the straight-line depreciation method and the maximum depreciation rates. The depreciation rates are different in both countries' legislations. The depreciation rates prescribed by the Macedonian legislation are slightly lower than the ones prescribed by the Slovenian legislation⁷. When it comes to writing-off assets, there is a significant difference. The Macedonian tax legislation, unlike the Slovenian, does not recognize the write-off amount of tangible and intangible assets and is therefore considered in the tax base. This is stipulated in the "Decree on the method of calculating depreciation and writing-off values of tangible and intangible assets..." (Official Gazette of the RM No. 64/02, 98/02, 10/8).

Regarding the inventories, the Macedonian Profit Tax Law lists the method of average prices, acquisition prices and FIFO (Profit Income Tax Law, Article 11). What matters the most is that the method LIFO is still permitted for practical use in Macedonia. LIFO is strictly prohibited by the IFRS and is no longer used in the Slovenian accounting practice.

When it comes to tax reliefs, the Macedonian tax legislation prescribes relatively less than the Slovenian tax legislation, which on the other hand properly lists all items suitable for tax relief. What is common in both legislations is the tax relief for employment of physically disabled employees and tax reliefs for donations. The Macedonian Profit Tax Law decreases the tax base for the amount of reinvested profits which should not exceed 50 % from the tax base. The Slovenian Income Tax Act specifies the following tax reliefs: for investments in research and development (only 40 % from the amount), investments in intangible assets and equipment (only 30 % from the amount which should not exceed 30,000), tax relief for voluntary supplementary pension insurance, tax relief for carrying out practical professional training etc (Corporate Income Tax Act, Articles 55-59; Profit Tax Law, Article 44).

There are significant differences with regard to tax losses. The Macedonian Profit Tax Law orders transfer of the tax loss in the following tax periods which should not be longer than 5 years, whereas in the Slovenian case the same can be transferred for the following tax periods without any specific limitation (Corporate Income Tax Act, Article 36; Profit Tax Law, Article 14).

4.2 Areas of differences and similarities in the accounting and financial reporting standards

In the field of accounting and financial reporting standards both countries have made an attempt towards harmonization of their local practices with the ones recognized at a global level. Macedonia does not possess its own set of accounting standards, but instead adopts the IFRS on a local level. On the other hand, Slovenia encompasses its own system of accounting standards which points out the high stage of development of the Slovenian accounting system.

⁷Detailed overview of the depreciation rates in Macedonia and Slovenia in Appendix 2.

The accounting standards, under which the Macedonian accounting practice functions, are the IFRS whose last version was published in the Official Gazette of the RM in 2009. Their official translation in Macedonian language was embedded in the national legislation, without the prior need to make their adjustment to the specific socio-economic conditions in the country. Concerning the mechanisms ensuring and enforcing the implementation of the standards in practice, they are not much effective in practice. Also, the translations were not adequately updated and their actual implementation in practice was dubious, which indicates that such situation may cause adverse effects with regards to the transparency. In addition, this causes distress for the accountants and auditors in Macedonia, as they have to handle the situation by using the term "...the financial statements are in alignments with the IFRS used solely in Macedonia" (Andonovski, 2008). The NBRM, as an important regulatory body does not insist on enforcing the standards, but stresses the enforcement of the bank supervision criteria. What lacks the most in the Macedonian accounting practice is a proactive involvement of the professional regulatory and supervisory body that would steer a timely update of the translated standards and would ensure their practical implementation.

In Slovenia, on the other hand, all three editions of SAS are the result of the evolution of international as well as national accounting theory. They have more or less always applied the European Accounting Directives, IAS and later IFRS as their platform while at the same time they have always kept their national flavor, particularly through specific adjustments made for small and medium sized companies, which are typical of the Slovenian economy (Novak, 2007, p. 13). Slovenia more or less manages to ensure consistency between its national accounting standards and the international ones, however with some discrepancies among them. This allows a creation of an accounting framework that is compatible with the needs of the corporate sector, as well as construction of an effective accounting practice. The Institute of Certified Auditors, as a firm regulatory mechanism, has the major role in incorporating the IFRS into the SAS.

4.3 Areas of differences and similarities in the stock exchange regulation

With gradual development of the capital markets in Macedonia and Slovenia since their initial establishment, the stock exchange regulations imposed by each country's stock exchange authority gradually developed as well. The continuing processes of up-grading the reporting requirements, resulted in increasing the capital market transparency in both countries. The regular disclosure of price-sensitive information through the Internet applications and the frequent publishing of financial statements (quarterly, semi-annually and annually) are required stipulations in both countries' stock exchange regulations, which are based on the securities/financial instruments legislation.

Disclosure of accurate, understandable and timely information helps in creating and maintaining investors' confidence in a certain company. When there is certain amount of

confidence in the capital market, there is definitely a sufficient dose of market efficiency. An efficient market is the one in which the market price is the result of an impartial assessment of the investment's value as a result of the available information. Conversely, the market price reflects the liquidity of a capital market. The liquidity indicates the degree of development of a certain capital market (Shteriev, 2010, p. 211).

The capital markets in Macedonia and in Slovenia are quite small and shallow. Privatization processes, corporate structure and governance of the companies in each country have had large large impacts on their development. A stable system of good corporate governance in a national economy is based on normative solutions deriving from permanent stock corporative and stock exchange legislation. Exactly, how the corporate governance functions and how the legislation in stock exchange is implemented for that purpose, depends on the price of the particular company's stock (Shteriev, 2010, p. 212).

Are the stock prices at the Macedonian and Slovenian capital markets a relevant measure when it comes to implementing the fair value standard (IFRS 15, IAS 32 and IAS 39)? Both stock markets face the problem of unsatisfactory market liquidity, which is an imperative determinant in shaping stock prices. In such cases of low market liquidity, valuation at fair value becomes less effective and less reliable. To what extent are the Macedonian and Slovenian stock markets liquid, may be revealed by some statistical trading data in Table 3:

Table 3: Macedonian and Slovenian stock exchange trading data

	Macedonia			Slovenia		
	2008	2009	2010	2008	2009	2010
Market capitalization (in 000 EUR)	1.993.137	1.995.940	1.731.132	8.468.425	8.462.218	7.027.892
Annual turnover (in 000 EUR)	108.958	45.610	53.163	952.578	719.810	360.792
Number of transactions	43.265	34.396	25.697	211.502	135.853	101.912

Source: Statistical data from FactBook, MSE Inc. Skopje and Annual Statistical Reports of LJSE for 2008, 2009 and 2010

The data in Table 3 clearly project the difference. For instance, in 2010, the market capitalization of the Slovenian capital market was about 4 times greater than the one at the Macedonian capital market; the turnover was about 6 times larger, while the realization of transactions was 4 times greater as the realization of the Macedonian stock market's transactions. Based on the above-shown data, the Slovenian capital market is relatively larger than the Macedonian and it may be even more liquid than the Macedonian. Still, many publications suggest that the Slovenian capital market itself is not liquid. In case of illiquidity, how does the market generate the market price, so that the fair value standards could still be

satisfied? As the Macedonian ROSC A&A from 2003 remarks, an approximation of fair value had been used in Macedonian practice. In Slovenian practice the most common methodological approach is the usage of various valuation models (Dovč, 2008, p. 49–51).

CONCLUSION

In today's vastly demanding globalized economic and financial system, a high-quality financial reporting is an extremely important determinant. For that purpose, all national accounting practices are striving to converge into a uniformed practice which will contribute to the formation of a globally recognized accounting language, understandable to all stakeholders. There are many efforts in realizing the harmonization process of accounting and financial reporting not only at a global level, but on a regional level as well.

Macedonia and Slovenia are making serious attempts in harmonizing their accounting and financial reporting norms on a global level. Their practices and approaches are to a certain extent similar, but yet different in some points.

The objective of Macedonia to become part of the European Union imposed the need for aligning the Macedonian legislation with *aquis communautaire* including the accounting and financial reporting legislation. In order to undertake such compliance, some adjustments to the current legislative and accounting environment must be done first. This is relevant also, when implementing the IFRS. Macedonia mostly lacks a true professional staff and a proactive role from crucial institutional bodies, which would establish a firm and agile system ready to respond promptly to any mandatory global change. Also, the Securities and Exchange Commission in Macedonia should strengthen its supervisory powers when it comes to implementing the stock exchange requirements by the listed companies.

With the accession to the EU, Slovenia was required to inject some European Directives into its already existing legislation. Harmonization of the national accounting standards with IFRS was also necessary. Although the harmonization is perceived not to be at the highest satisfactory level, the Slovenian Institute of Auditors diligently puts effort in unifying them. As part of the European capital market, Slovenia meets the requirements concerning the financial reporting of listed entities.

It is of utmost importance for both Macedonia and Slovenia to harmonize their financial reporting regulatory framework, since Slovenia is aiming to become one the most frequent investing stakeholder in Macedonia in the recent years.

POVZETEK

UVOD

Računovodsko poročanje se ukvarja s pripravo računovodskih izkazov (Melville, 2008, str. 3). Cilj računovodskega poročanja je zagotoviti koristne informacije za potencialne vlagatelje ter upnike pri odločitvah o alokaciji sredstev. Močan predpogoj za vspostavljanje učinkovitega trga je zagotavljanje preglednih informacij. Kakovostno računovodsko poročanje je temelj učinkovitega tržnega gospodarstva ter funkcionalnega finančnega sistema.

Diplomsko delo se usredotoča na računovodsko poročanje v dveh državah posebej: Makedonija, ki ni članica Evropske Unije in Slovenija, ki je članica Evropske Unije, vendar sta obe bile nekoč pod ozemljem enotnega gospodarskega sistema Socijalistične Federativne Republike Jugoslavije (SFRJ). Kot sestavni del nekdanje SFRJ, sta Makedonija in Slovenija živela preko sistema družbene lastnine. Po razpadu SFRJ in v prehodu iz planskega k tržnemu gospodarstvu, sta se obe države soočile z makroekonomsko nestabilnostjo. To je povzročilo neminovne reforme na družbeno-gospodarskem področju. Privatizacija podjetij v obeh državah je pustila dolgotrajne posledice, še posebej v Makedoniji.

Danes najbolj pogosta oblika podjetij v Makedoniji in v Sloveniji sta družbo z omejeno odgovornostjo ("d.o.o.") in delniško družbo ("d.d.") ("ad") (ROSC CG v Sloveniji, 2004, str. 3; Tikvarovska, 2007, str. 33). Podobno kot v druge tranzicijske države, tudi v Makedoniji prevlada podobno lastniško strukturo podjetij, ki se je razvila skozi proces privatizacije ter podoben način upravljanja le-teh. Večina makedonskih podjetij ima razpršeno lastniško strukturo, ki usmerja načelo-agent v smeri delničar-manager konflikta. Takšno strukturo še bolj poudarja potrebo po razkrivanju pomembnih informacij. Zagotavljanje kakovostnih informacij o gospodarskih družbah bi povečala preglednost in bi zmanjšal stroške kapitala, kar je pomembno za spodbujanje naložb in pospeševanje razvoja trga kapitala (Hadzi-Vasileva Markovska, 2007, str. 1).

Kljub velikih razlikah glede ekonomskega razvoja v Makedonije in Slovenije, obstaja veliko podobnosti glede na upravljanje, oblikah in lastniških struktur podjetij, pa tudi v praksi računovodskega poročanja. Namen diplomskega dela je dejansko primerjati regulativnega okvira računovodskega poročanja med tema dvema državama. Cilj je, da bi našli glavnih področij razlike in podobnosti med regulativnega okvirja računovodskega poročanja v obeh državah. Poleg tega, to je izredno pomembno, saj Slovenija je v zadnjih letih postala eden od najpomembnejših investicijskih udeležencev na Makedonskem trgu.

Diplomsko delo je sestavljeno takole: v prvem poglavju je predstavljen splošen zakonodajni okvir v zvezi s računovodskim poročanju. Nato v drugem in tretjem poglavju, na primer Makedonije in Slovenije so aplicirane te sistematične koncepte. Pregled zakonodaje ki ureja področje računovodskega poročanja v Makedoniji, vključno z Zakon o gospodarskih družbah,

Uredba o računovodstvu, Zakon o vrednostnih papirjev s posebnim pregled Zakona o bančništvu ter Zakon od dohodkov pravnih oseb, ki mu sledi vpogled veljavnih računovodskih standardov v makedonski praksi in nazadnji pregled borzne regulative o računovodskega poročanja kotirajočih podjetjih. Enak pristop se uporablja tudi v primeru Slovenije. Četrto poglavje obsega primerjavo glavnih področjih razlike in podobnosti med obema državama, z večjim poudarkom na medsebojnih razlike. Diplomsko delo se konča z sklepom.

1 REGULATORNI OKVIR RAČUNOVODSKEGA POROČANJA

Vsebino in obliko računovodskih izkazov, še posebej v primeru večjih podjetij, je treba urediti. Stroga pravila so potrebna za preprečitev lažen vtis o celotnem delovanju družbe, ki se izkaže preko računovodskih izkazih. Spekter pravil in predpisov, ki sestavljajo "regulatorni okvir računovodskega poročanja" je sestavljen iz (Melville, 2008, str. 4–6):

Zakonodaja: Običajno zakonodaja določa vrsto pravil, ki jih morajo podjetja upoštevati pri pripravi računovodskih izkazov. V mnogih evropskih državah Zakon o gospodarskih družbah ureja računovodsko poročanje. Vendar pa je zakonodaja v večini držav EU so se pojavile kot rezultat direktiv EU. Države, ki niso članice EU oz. države ki načrtujejo postati del EU, so uredile svojo zakonodajo v skladu s pravnim redom Skupnosti.

Računovodski standardi: Računovodski standardi so metodološke uredbe, ki urejajo računovodske obravnave transakcije in druge postavke, navedene v računovodskih izkazih. Večina razvitih držav so ustanovile svoj sistem računovodskih standardov, vendar na mednarodni ravni veljajo mednarodne standarde računovodskega poročanja (MSRP), ki so sprejeti po vsem svetu.

Borzni predpisi: Podjetja, katerih delnic uradno kotirajo na oficijalnem trgu, morajo spoštovati določene predpise s strani borze. Te uredbe lahko obvezujejo podjetja k različnih zahtevah, ki so drugačne od tistih ki jih zakonodajo ter računovodskih standardov predpisujejo.

2 REGULATIVO RAČUNOVODSKEGA POROČANJA V MAKEDONIJI

2.1 Zakonodaja o računovodskem poročanju v Makedoniji

Dosežiti članstvo v EU je bila gonilna sila pri usklajevanju Makedonskega zakonodavstva z Evropskim, zlasti na področju računovodskega poročanja. To pa posebej velja za Zakon o gospodarskih družbah (Ur.l. RM, št. 28/04) ki določa okvir za računovodstvo v Makedoniji. V skladu z Zakonom o gospodarskih družbah, ureditev za pripravo in predstavitev

računovodskih izkazov je bolj formalen vodnik kot vsebinski. Ne omenja drugih meril, kot je MRS 1 za pošteno predstavitev, delujoče podjetje, podlagi nastanka poslovnega dogodka, doslednost predstavitve, pomembnosti in združevanja, primerjalne informacije itd. (Deari, 2010, str.141). Nova Uredba o Računovodstvu (Ur.l. RM, št. 159/09) zajema ta merila. Torej Uredba o računovodstvu (Ur.l. RM, št. 159/09) vsebuje standarde, ki so veljavne v makedonski računovodski praksi. Zakon o vrednostnih papirjev (Ur.l. RM, št. 95/05, 08/07, 57/10) določa dodatne zahteve glede razkritij delniških družb s posebnimi obveznostmi poročanja. Kar se tiče računovodskega poročanja bank, Narodna Banka Republike Makedonije določa poseben nabor obveznih razkritij. Računovodska pravila v veliki meri vplivajo na davčnem poročanju, vendar Zakon o davku na dobička (Ur.l. RM, št. 80/93...159/08) določa posebno obravnavo nekaterih vrstah prihodkov in odhodkov.

2.2 Računovodske standarde v Makedoniji

Kot Zakon o gospodarskih družbah kaže, računovodski izkazi za zahtevane entitete je treba pripraviti v skladu z MSRP. Kot Whittington (2005, str. 127) poudarja, več "tranzicijske" države vzhodne Evrope, ki niso imeli svoj sistem računovodskih standardov so sprejemali oz. dovoljili uporabo mednarodnih standardov. Tako je bilo v Makedoniji. Sprejem za MRS kot nacionalni standardi, je bilo z namenom zgraditi zanesljiv, primerljiv in pregleden sistem računovodskega poročanja, ki bi pomagali investitorjem pri sprejemanju dobrih finančnih odločitev. Se je izkazalo, da neredovno prevajanje tekočih standardov in implementiranje letih v makedonsko zakonodajo bo povzročilo vrsto problemov glede zanesljivost računovodskih izkazov podjetij.

2.3 Borzni predpisi v Makedoniji

S postopnim razvoj borze v Makedoniji, postopoma so se uvedle reforme ter borzna pravila. Z uvedbo obvezno kotacijo na Makedonski borzi, so bila podjetja obvezana k rednim letnih računovodskih poročilom ter k objavo cenovno občutljive informacije, ki so nekoliko prispevali k povečanju njihovo preglednostjo. Vse cenovno občutljive informacije, so zdaj objavljeni na SEI-NET, spletna aplikacija za poročanje o kotirajočih podjetjih na Makedonski borzi. Makedonski delniški trg je razdeljen na več segmentih. Za vsaki kategorizaciji obstajajo seznam zahtev za sprejem ter za objavo obveznih razkritij, ki se uporabljajo za novih in že obstoječih kotirajočih podjetjih oz. izdajateljev.

3 REGULATIVO RAČUNOVODSKEGA POROČANJA V SLOVENIJI

3.1 Zakonodaja o računovodskemu poročanju v Sloveniji

Pravnega institucionalnega okvira Slovenije je usklajena s pravnim redom Skupnosti. Na področju računovodskega poročanja in revizije, Slovenija je uvedla Četrto, Sedmo in Osmo EU direktivo ter je implementirala MRS v praksi. Temeljni pravni akt, ki ureja računovodstvo

in računovodskega poročanje v Sloveniji, je Zakon o gospodarskih družbah (Uradni list RS, št. 65/2009). Zakon o trgu finančnih instrumentov (Ur.l. RS, št. 67/2007 ... 108/2010), nalaga obveznosti poročanja za vse javne delniške družbe. Zakon o bančništvu (Ur.l. RS, št. 99/2010 ... 59/2011) določa strožje zahteve v bančnem sektorju ter dodatne zahteve o poročanju bank. V Sloveniji sta računovodsko in davčno poročanje precej povezana, kajti razlika med prihodki in odhodki je ugotovljena po računovodskih standardih, zakon pa določa povečanje oz. zmanjšanje le-teh v nekaterih primerih (Klobučar, 2004, str. 36).

3.2 Računovodski standardi v Sloveniji

Z vstopom v EU, v Sloveniji se je uvedela uredba št.1606/2002 in s tem je bila uveljavljena uporaba IFRS za podjetja z konsolidiranimi računovodski izkazi. Z začetkom 31.12.2005 so javne delniške družbe v Sloveniji pri pripravi svojih konsolidiranih računovodskih izkazov upoštevali MSRP. Podjetja, ki niso obvezana k uporabi MRSP, uporabljajo lokalne računovodske standarde in sicer Slovenskimi računovodskimi standardi (SRS), ki so pripravljene s strani Slovenskega inštituta za revizijo (SIR).

3.3 Borzni predpisi v Sloveniji

Ljubljanska borza je bila ustanovljena leta 1989 in s svojim začetkom je vložila veliko napora pri promoviranju kot vir financiranja podjetniškega sektorja. Široka paleta slovenskih podjetij so se z naslednjim letom uvrstila na Ljubljanski borzi. Z integracijo EU, Ljubljanska borza je postala del enotnega Evropskega kapitalskega trga, zato je morala uskladiti svoje regulacije z nekaterimi zahtevami EU. Nekatero od teh zahtev se nanašajo na seznam pravil, ki zavezujejo izdajatelje vrednostnih papirjev ki kotirajo na Ljubljanski borzi, glede zagotavljanje nekaterih razkritij, pomembni za povečanje učinkovitost trga (Živković, 2007, str. 1).

4 RAZLIKE IN PODOBNOSTI MED MAKEDONSKEGA IN SLOVENSKEGA REGULATORNEGA OKVIRJA O RAČUNOVODSKEM POROČANJU

S temeljitim pregledom Makedonskega in Slovenskega regulativnega okvira o računovodskemu poročanju, videti so veliko podobnosti pri regulaciji računovodskega poročanja, vendar obstajajo nekatere izrečne razlike.

Temeljni zakonodajni akt, ki ureja računovodstvo in računovodsko poročanje v obeh državah, je Zakon o gospodarskih družb, le da v Makedoniji obstaja tudi Uredba o Računovodstvu, kot komplementarni zakonodajni akt. Bančni zakon v obeh državah nalaga bolj ali manj enake zahteve za računovodsko poročanje bankam. Vendar, obstaja razlika v zvezi z objavo revidiranih letnih poročilih. Kar se tiče podjetjih, ki kotirajo na borzi, obe zakonodaje določajo dodatne zahteve računovodskega poročanja ter obvezne objave letnih, poletnih,

kvartalnih ter tekočih poročil. Makedonski Zakon o vrednostnih papirjev in Slovenski Zakon o trgu finančnih instrumentov sta osnova pri določitvi vsebine borznih pravil za kotirajočih podjetij. Kaj se na prvi pogled mogoče da sklepati iz primerjave zakone ki urejajo obdavčitev dobička v Makedoniji in Sloveniji, je njihova zapletenost in jedrnatost. Način pri določanju dobička, prihodki, odhodki itd. je precej isti. Toda, kljub tem podobnostim obstajajo številne razlike pri določanju priznanih odhodkov oz. izdatkov, kadar se določa davčno osnovo.

Na področju računovodskih standardov oz. standardov računovodskega poročanja sta obe države poskusila k usklajevanju lokalne prakse s tisto priznana na svetovni ravni. Makedonija nima svoj sistem računovodskih standardih, ampak sprejma MSRP na lokalni ravni. Na drugi strani Slovenija vsebuje svoj sistem računovodskih standardov, znani kot Slovenski računovodski standardi, to dejstvo pa opozarja na visoko stopnjo razvoja slovenskega računovodskega sistema.

Od začetka obstoja kapitalskih trgov v Makedoniji in Sloveniji ter z njihovim postopnim razvojem so se tudi postopoma razvile regulatorni predpisi. S redno nadgradnjo zahtev za računovodsko poročanje izdajateljev vrednostnih papirjev, se je povečala transparentnost trga kapitala v obeh državah. Redna razkritja in objavo cenovno občutljivih informacij prek spletne aplikacije, s pogostimi objavljanji računovodskih izkazov (kvartalni,oletni in letni), so obvezne določbe v uredbi borze obeh držav, ki pa temeljijo na zakonu o vrednostnih papirjev oz. finančnih instrumentih.

SKLEP

V današnjem, močno globaliziranem ter zahtevnem gospodarskem in finančnem sistemu visoko kakovostno računovodsko poročanje je zelo pomemben dejavnik. V tem namenom je potrebno vse države prizadevati k zblizevanju oz. uniformiranju svoje nacionalne računovodske prakse in na ta način bodo prispevali k oblikovanju t.i. svetovno priznan računovodski jezik, ki bo razumljiv za vse udeležence. Obstajajo napor pri usklajevanju računovodstva in računovodskega poročanja, ne le na svetovni ravni, ampak tudi na regionalni.

Makedonija in Slovenija so naredili kar resne poskusi pri usklajevanju svojih računovodskih praks s tistim, ki so veljavne na globalni ravni. Njihove prakse in pristopi so do neke mere podobni, vendar različne v nekaterih pogledih.

Cilj Makedonije, da postanejo del Evropske unije, nalaga potrebo po usklajevanju Makedonske zakonodaje z *acquis communautaire*, vključno z zakonodajo, ki ureja računovodsko poročanje. Da ne bi prišlo do nepoželjne neskladnosti, je nujno narediti nekatere dopolnitve in prilagoditve z trenutno pravno in ekonomsko okolje. To je pomembno tudi, kadar se gre za uvajanje MSRP. Kaj najbolj manjka v Makedoniji, je pravi strokovni kadar in proaktivno vlogo s strani ključnih institucionalnih organov, ki bi omogočile

vzpostavitev trden in okreten sistem, vedno pripravljen na hitro odzivanje morebitnih globalnih spremembah.

Z vstopom v EU, v Sloveniji je bila obvezna oddaja nekaterih evropskih direktiv v svojo že obstoječo zakonodajo. Usklajevanje nacionalnih računovodskih standardov z MSRP je bilo prav tako nujno. Čeprav se to usklajevanje v celoti ne dojema, obstajajo kapaciteti, da bo na najvišji zadovoljivi ravni. Slovenski inštitut za revizijo igra pomembno vlogo pri postavljanje npora harmoniziranje slovenskih standardov z mednarodnimi. Kot del evropskega trga kapitala, slovenski izpolnjuje zahteve v zvezi z računovodskim poročanjem za podjetja, ki kotirajo na borzi.

Je iz velikega pomena, tako za Makedonijo, kot tudi za Slovenijo, da imajo usklajene regulativne okvire računovodskega poročanja, saj Slovenija ima potencial postati eden izmed najbolj pogostih vlagateljev v Makedoniji v zadnjih letih.

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Appendix 1: List of abbreviations

BS	Bank of Slovenia
FASB	Financial Accounting Standards Board
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IAS	International Accounting Standards
ICARM	Institute of Certified Auditors of Republic of Macedonia
IFAC	International Federation of Accountants
IFRIC	International Financial Accounting Interpretation Committee
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commission
ISA	International Standards of Auditing
LjSE	Ljubljana Stock Exchange
MSE	Macedonian Stock Exchange
NBRM	National Bank of Republic of Macedonia
NSC	National Steering Committee
SAS	Slovenian Accounting Standards
SEC	Security Exchange Commission
SFRY	Socialist Federative Republic of Yugoslavia
SIA	Slovenian Institute of Auditors
SMA	Security Market Agency
ROSC	Report on Observance of Standards and Codes
ROSC A&A	Report on Observance of Standards and Codes, Accounting and Auditing
ROSC CG	Report on Observance of Standards and Codes, Corporate Governance

Appendix 2: Assets' depreciation rates specified by the Macedonian and the Slovenian tax legislation

Nomenclature of assets's depreciation and their annual depreciation rates for taxation purposes in Macedonia

	List of assets	List of annual depreciation rates (%)
1.	BUILDINGS	
1.1.	Construction of buildings from reinforced concrete and metal construction (buildings, bridges, tunnels, overpasses, pipelines, gas pipelines, water supply and transmission lines)	2,5
1.2.	Buildings of civil engineering with upper carriage (Upper undercarriage roads and railways, dams, embankments, etc.)	3
1.3.	Construction of buildings from wood (wood construction)	5
1.4.	Other unmentioned specified buildings	10
2.	EQUIPMENT	
2.1.	Equipment for production and processing, distribution of oil gas, electric and thermal energz, water and equipment utilities and ships	5
2.2.	Powered and business inventory (machines, tools, transportation facilities and equipment), aircraft and other vechicles and airtraffic equipment	10
2.3.	Furniture and office inventory in trade, catering and tourism, equipment for heating, ventilation and maintainance for office and other locations, other office furniture and other equipment to perfrom office work	20
2.4.	Computer equipment, software, telecommunications equipment, passenger motor vechicles, motor vechicles and trailers devices	25
2.5.	Other unmentioned equipment	10
3.	ORCHARDS, VINEYARDS AND CROPS	10
4.	HERD	20
5.	LONG-TERM INTANGIBLE ASSETS	20
6.	OTHER UNMENTIONED LON-TERM ASSETS	10

Source: Decree on the method of calculating depreciation and writing-off values of tangible and intangible assets and nomenclature of assets' depreciation and their annual depreciation rates for taxation purposes (Official Gazette of the RM No. 64/02, 98/02, 10/08).

Annual depreciation rates specified by the Corporate Income Tax Law in Slovenia

	List of Assets	List of annual depreciation rate (%)
1.	Buildings, including investment property	3
2.	Parts of buildings, including parts of investment property	6
3.	Equipment, vehicles and machinery	20
4.	Parts of equipment and equipment for research activities	33,3
5.	Computer equipment, hardware and software	50
6.	Crops	10
7.	Herd	20
8.	Other	10

Source: Corporate Income Tax Act (Official Gazette of the RS No. 117/2006).