



FINACONT TAX NEWSLETTER

Accounting Policy and related policies



Kis Gábor

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The Act on Accounting requires business organizations to prepare **accounting regulations** on a **mandatory** basis. If a new company is established, compulsory accounting regulation are to be drawn up **within 90 days** from the date of establishment. **Businesses are expected to implement legislative changes in their existing policies within 90 days** from the effective date of the law.

On the basis of principles and valuation requirements set out in the Accounting Act each company must establish and prepare its **own** written accounting policy **the most suitable to its business and operation**. In the policy the company must set out the principles to be followed in its management/operation and the **aspects of valuation/assessment of each economic event**. For example, if there is no cash management regulation, it is not possible to determine the amount of money that can be stored in a petty cash or the person who can authorize cash payments or who can withdraw money from the bank, etc.

In addition, **financial statement, which is expected to always**

reflect the actual property, financial and income relationships of the company, should be prepared on the basis of the accounting policy. It is obvious that in the absence of pre-written valuation rules or stocktaking rules, it is impossible to meet this requirement.

There is also a serious **risk** in an incorrectly compiled accounting policy when it comes to **tax inspections**. The lack of accounting policy (or failing to update it) **may be subject to default penalty of up to 500,000 HUF**.

Under current accounting rules, **the person entitled to represent the company is responsible** for the preparation and modification of the accounting policy. After drafting these policies **they should be updated continuously** with taking into account the frequency of changes in legislation and changes in the management environment.

Please contact us if we can assist you with the preparation and modification of your company-specific accounting policies in accordance with the actual business order.

Should you have any questions, please do not hesitate to contact us.

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There can be diverse practices, methods and taxation manners as a result of various interpretations with regard to the tax regulations and the connected law sources. The above listed changes are only for information, can be used only at one's own tax risk in specified cases. In certain cases a further proposal of tax authorities or other polities can reduce the tax risks.