

Accounting policy

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General information

Latvian accounting requirements are governed by national laws and regulations.

[The Law on Accounting](#) is the main law in the field of accounting and applies to all companies, co-operative societies, branches of foreign entrepreneurs as well as non-residents (foreign entrepreneurs), associations and foundations, political organizations (parties) and their associations, religious organizations, trade unions, institutions which are financed from the state budget or local budgets, state or governmental agencies, as well as other legal and natural persons carrying out economic activity.

Law on Accounting states that accounts shall reflect all of a undertaking's economic transactions and all changes in the state of the company's property, so that a third person qualified in the area of accounting may obtain a true and clear representation of the financial position of the company.

Head of the undertaking is liable for maintaining the undertaking's accounting (for a capital company – the company's board).

Accounting registers shall be maintained in Latvian, in euro currency, using a double entry accounting system and have to be kept together with source documents within the territory of Latvia.

The single entry accounting system may be used by:

- individual merchants, individual enterprises, farming and fishing enterprises whose turnover (income) from the economic activities in the previous accounting year does not exceed 300 000 euro and other natural persons who perform economic activities;

- associations, foundations, trade unions and religious organisations whose turnover (income) from the economic activities in the previous accounting year does not exceed 40 000 euro.

Annual financial reporting

Annual financial reporting for reporting year starting on 1st January 2016 or after

Annual statements and consolidated annual statements prepared for reporting year starting on 1st January 2016 or after have to be prepared in accordance with the [law On the Annual Financial Statements and Consolidated Financial Statements](#)

Subjects to the law On the Annual Financial Statements and Consolidated Financial Statements are:

- commercial companies, cooperative companies registered in the Republic of Latvia, European economic interest groupings, European cooperative societies, and European commercial companies registered in the Republic of Latvia;

- individual undertakings, farming and fishing enterprises whose turnover (revenue) from the economic transactions during the previous financial year exceeded 300 000 euro.

According to the law On the Annual Financial Statements and Consolidated Financial Statements, categories of undertakings are set as follows:

Limit values
Criteria
Micro-entity
Small undertaking
Medium-sized undertaking
Large undertaking
Balance sheet total
350 000 euro
4 000 000 euro
20 000 000 euro
Exceeds two out of three medium-sized undertaking's thresholds
Net turnover
700 000 euro
8 000 000 euro
40 000 000 euro
Average number of employees during the financial year
10
50
250

Therefore a small undertaking is such undertaking which on the balance sheet date does not exceed at least two of three limit values of the criteria set above for two consecutive years.

The law On the Annual Financial Statements and Consolidated Financial Statements does not apply to credit institutions, savings and loan societies, insurance companies, re-insurance companies, private pension funds, investment companies, investment management companies, as well as alternative investment funds founded as commercial companies.

International accounting standards

A development financial institution and a commercial company, which in accordance with the [Financial Instrument Market Law](#) prepare an annual statement and consolidated annual statement in conformity with the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (hereinafter - IFRS):

by way of derogation from the principles and regulations to be applied for the assessment of annual statement and financial statement items laid down in the law On the Annual Financial Statements and Consolidated Financial Statements, the annual statement items shall be assessed in accordance with IFRS;

by way of derogation from the provisions of the law On the Annual Financial Statements and Consolidated Financial Statements for the preparation of a balance sheet, profit or loss account, cash flow statement, and statement of changes in equity, individual financial statement items need not to be indicated if they are not significant or their non-indication makes the financial statement more transparent, as well as additional items may be included, however, in any case the information indicated in the items must conform to IFRS;

in addition to the provisions for the preparation of annex to the financial statement laid down in the law On the Annual Financial Statements and Consolidated Financial Statements, explanatory information shall be provided in accordance with IFRS;

by way of derogation from the provisions of the law On the Annual Financial Statements and Consolidated Financial Statements, the consolidated annual statement shall be prepared in conformity with IFRS.

State Capital Company, which in conformity with the provisions of the law On the Annual Financial Statements and Consolidated Financial Statements is a large capital company, may prepare an annual statement according to IFRS.

A development financial institution and the commercial company, the transferable securities of which are included in the regulated market of the Republic of Latvia or another European Union Member State have to apply the requirements of the law On the Annual Financial Statements and Consolidated Financial Statements binding on a large undertaking.

Annual financial reporting for reporting year up to 2015

Annual statements and consolidated annual statements prepared for reporting year 2015 have to be prepared in accordance with the [Annual Accounts Law](#) and the [Consolidated Annual Accounts Law](#).

Commercial companies, co-operative societies registered in Latvia, European economic interest groups, European co-operative societies and European commercial companies registered in Latvia irrespective of their type of activity or the volume of their turnover shall draw up annual accounts in accordance with provisions specified in the Annual Accounts Law.

The Law on Consolidated Annual Accounts applies to commercial companies and co-operative societies registered in Latvia if they are parent companies of a group of companies

The Annual Accounts Law and the Consolidated Annual Accounts Law do not apply to banks, savings and loan societies, insurance commercial companies in the form of stock companies, mutual insurance co-operative societies, private pension funds, investment broker companies and investment management companies. Requirements for the annual accounts and consolidated annual accounts of banks and other financial institutions, and for insurance and reinsurance companies are prescribed in the instructions and regulations of the Finance and Capital Market Commission

International accounting standards

Latvia requires the use of the International Accounting Standards and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the EU in the consolidated financial statements of undertakings listed to a regulated market (the Baltic Main list and the Baltic Secondary list) and financial institutions. Financial institutions and undertakings listed on Baltic Main list are required to use IFRS in annual financial statement. Large state owned enterprises are entitled to opt the use IFRS starting with 2016, bet rest of large undertakings starting with 2018.

It is allowed to use IFRS in the consolidated financial statements of non-publicly traded undertakings in Latvia.

For reporting year starting on 1st January 2016 or after

A limited review* is required for small undertakings which on their balance sheet dates (for two consecutive years) exceed at least two of the three following criteria:

Criteria	Value
Balance sheet total	400 000 – 800 000 euro
Net turnover	800 000 – 1 600 000 euro
Average number of employees during the financial year	25 - 50

The statutory audit is required for

medium-sized and large undertakings;

financial institutions and undertakings whose transferable securities are included in the regulated market**;

municipalities;

public agencies;

associations and foundations that are public benefit organisations with income more than 800 000 euro in a financial year;

political parties with turnover more than 10 minimum wages in a financial year;

parent undertakings;

undertakings that are a subsidiary undertaking of a public person or a capital companies of public person within the meaning of the Law On Management of Capital Shares and Capital Companies of a Public Person;

undertakings that have recognised the relevant items of the financial statement, assessed and indicated in the financial statement according to the international accounting standards;

small undertakings which on their balance sheet dates (for two consecutive years) exceed at least two of the three following criteria:

Criteria
Value
Balance sheet total
800 000 euro
Net turnover
1 600 000 euro
Average number of employees during the financial year
50

The annual statement (or part of it) of an association, foundation or trade union is under review of an audit institution or a sworn auditor.

For reporting year up to 2015

The audit is required for undertakings that exceed at least two of the three following criteria:

- a balance sheet total of 400 000 EUR,
- a net turnover of 800 000 EUR and
- an average annual number of employees during the reporting financial year - 25.

* Limited review of the annual statement is a *review engagement* carried out by sworn auditor or commercial company of sworn auditors in accordance with the Audit Services Law in respect of the data indicated in the financial statement and information included, including the conformity of the enterprise income tax amounts. In order to examine the conformity of the undertaking's income tax amounts the Latvian Association of Sworn Auditors has adopted specific national regulation.

**Financial institutions and undertakings whose transferable securities are included in the regulated market are regulated under the laws governing activities of participants of the financial and capital market and the regulatory provisions of the Financial and Capital Market Commission.

Useful links

[View more](#)

International Conference on Evaluation of the IAS Regulation

[View more](#)

<https://www.fm.gov.lv/en/accounting-policy>