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In force from: 01.01.2026

## ACCOUNTING POLICIES AND PROCEDURES

### 1. GENERAL PROVISIONS

#### 1.1 Purpose and application of the Accounting Policies and Procedures

1.1.1 The Accounting Policies and Procedures (hereinafter "Policies and Procedures") set out the requirements and the principles for accounting and financial reporting at Tallinn University of Technology (hereinafter "the university"). The purpose of these requirements is to ensure the provision of relevant, reliable and comparable information concerning the financial position, financial performance and cash flows of the university.

1.1.2 The Policies and Procedures have been prepared in accordance with the Accounting Act, the Estonian Financial Reporting Standard, Public Sector Financial Accounting and Reporting Guidelines and the annexes and instructions thereto, the Accounting Board Guides and other legislation and university regulations governing accounting.

1.1.3 In matters not regulated by the Policies and Procedures, the principles laid down in the Accounting Act shall apply.

#### 1.2 Organisation of accounting

1.2.1 Pursuant to § 3 of the Public Sector Financial Accounting and Reporting Guidelines, the university is a legal person in public law and the legal persons directly or indirectly under its dominant influence are public sector entities.

1.2.2 The university maintains its accounting records independently in compliance with the Accounting Policies and Procedures.

1.2.3 The university operates a centralized accounting system. The Finance Office maintains the accounting records of all the structural units.

1.2.4 The Chief Financial Officer is responsible for the management of the university's financial operations. [entry into force 24.01.2022]

1.2.5 The Chief Accountant is responsible for the day-to-day accounting activities.

#### 1.3 Financial year

The financial year comprises 12 months. It begins on 1 January and ends on 31 December.

## 2. THE CHART OF ACCOUNTS AND OTHER IDENTIFIERS USED TO CLASSIFY BUSINESS INFORMATION

### 2.1 Chart of accounts

2.1.1 In order to classify business information, business transactions are recorded in the accounting system by using the university's account codes.

The chart of accounts comprises balance sheet accounts (assets, liabilities and net assets) and income and expense accounts grouped by their economic substance. The university's chart of accounts has

been prepared in compliance with the requirements laid down in the Public Sector Financial Accounting and Reporting Guidelines. Eight-digit sub-accounts are used to record transactions at a more detailed level.

An account code consists of the following segments:

- 1 – account type
- 2 – account class
- 3 – account category
- 4 – account group
- 5 – account sub-group
- 6 – account
- 7 – sub-account group
- 8 – sub-account.

2.1.2 Accounts are divided into the following main categories:

- 1) assets;
- 2) liabilities and net assets;
- 3) operating income;
- 4) grants received;
- 5) staff costs and other operating expenses;
- 6) other expenses;
- 7) internal turnover;
- 8) suspense accounts;
- 9) memorandum accounts.

2.1.3 Subsidiaries within the group use the university's chart of accounts, which can be supplemented with additional accounts depending on the specific nature of the subsidiary's activities.

## 2.2 Identifiers

In addition to the chart of accounts, various identifiers are used in information systems to further categorize business information, allowing for more accurate accounting and analysis of business information. Such identifiers are referred to as dimensions. The dimensions used in the university's accounting system are the following: [entry into force 01.01.2023]

- 1) pursuant to the Financial Regulations of the university: structural unit, financing source;
- 2) pursuant to the requirements of the Public Sector Financial Accounting and Reporting Guidelines: transaction partner, field of activity, cash flow and source of funds;
- 3) other: person, public procurement reference number, secondment order number, activity, project area of activity, category, real estate object.

## 2.3 Establishment and modification of the chart of accounts

The chart of accounts and its user guide shall be established by order of the Chief Financial Officer. [entry into force 24.01.2021]

## 3. DOCUMENTING AND RECORDING BUSINESS TRANSACTIONS

3.1 Transactions shall be documented and recorded at the time they are incurred or within a reasonable period thereafter, ensuring that reports prescribed by legislation are submitted within the specified deadlines. Transactions shall be recorded in the accounting ledgers on the basis of source documents or summary documents prepared on the basis thereof.

### 3.2 Accounting ledger

3.2.1 Microsoft Dynamics NAV business software is used to record the university's business transactions. The business software comprises three core modules:

- financial management module;
- human resources and payroll module;
- project management module.

3.2.2 The business software shall be used in accordance with the rights granted to each user based on their assigned duties. Each user shall have a unique username and password. Each user shall be responsible for all changes made in the database under their credentials. User access rights shall be

granted at the request of the user's immediate superior and with the approval of the information asset owner of the respective module.

3.2.3 Once every six months, the information asset owner of the business software shall review user access rights and assess their compliance. The granting, modification, review, and termination of access rights shall be performed by persons designated by the information asset owner.

### 3.3 Accounting entry

An accounting entry shall include at least the following information:

- 1) the date of the business transaction;
- 2) the entry number;
- 3) the accounts debited and credited and the respective amounts;
- 4) a brief description of the business transaction;
- 5) a reference to the source or summary document constituting the basis for the entry;
- 6) the required dimensions.

### 3.4 Source document

3.4.1 All accounting entries shall be supported by source documents evidencing the respective business transactions or by summary documents prepared on the basis of source documents.

3.4.2 Source documents shall comply with the requirements of the Accounting Act. Their content and format shall, where necessary, enable a competent and independent third party to verify the occurrence and substance of the transaction. Unless otherwise provided by law (e.g. the Value-Added Tax Act) or a regulation issued on the basis thereof, a source document shall contain at least the following information:

- 1) the date of the transaction;
- 2) a description of economic substance of the transaction;
- 3) quantitative and monetary information (e.g. quantity, unit price, total amount).

3.4.3 Where the counterparty to a transaction is an accounting entity or a foreign legal person, a sales invoice shall, in addition to the information specified above, contain:

- 1) the invoice number;
  - 2) information enabling identification of the parties to the transaction (name, address, registry code).
- Invoices of goods and services subject to value added tax shall comply with the requirements of the Value-Added Tax Act.

3.4.4 Pursuant to the university's internal rules of procedure, a source document shall be supplemented by the following information:

- the source of financing from which the expenditure will be covered;
- the activity code used for monitoring activity-based costing and budgeting;
- the project activity code for project accounting purposes.

3.4.5 An expense receipt used as a source document shall pass the approval workflow designated by the head of the structural unit. The approval workflow shall include at least two persons, the approver and the authorised signatory. Where applicable, authorising officers shall also be included if different from the authorised signatories.

3.4.6 An approver can be any university employee who is associated with the expenditure incurred and who, by granting approval assumes responsibility for the substantive verification of the expenditure.

3.4.7 The authorised signatory shall ensure that:

- 1) the document accurately reflects the transaction;
- 2) the quantities, prices and other terms recorded in the document correspond to the previously concluded contracts;
- 3) the transaction is lawful and economically justified;
- 4) the transaction is consistent with the approved budget.

3.4.7 Persons included in the approval workflow shall approve a business transaction by means of a digital signature or electronic confirmation within the university's information system. Such approval must be capable of being retained electronically, and the identity of the approving person must be traceable throughout the document retention period.

3.4.9 The requirements established for source documents shall also apply to summary documents prepared on the basis thereof.

### 3.5 Adjustments

3.5.1 Errors in accounting entries shall be corrected by adjusting entries, which shall state the reason for the adjustment and include a reference to the corrected source document and the number of the original accounting entry.

3.5.2 In justified cases, the dimensions assigned to a source document may be amended at the request of the authorised signatory of the structural unit. Such amendments shall require approval by the Chief Accountant or a person designated by the Chief Accountant. The financial source of calculated and paid salaries shall not be amended retrospectively.

### 3.6 Document flow and retention

3.6.1 Documents shall be reviewed, approved and submitted to the Accounting Division without undue delay and no later than the deadlines specified in clause 3.6.2.

3.6.2 Source documents for accounting: [entry into force 01.11.2025]

<b>Title of the document</b>	<b>Document preparation/processing platform</b>	<b>Deadline for submission</b>	<b>Submitter/person responsible</b>	<b>Retention</b>	<b>Retention period</b>
Annual inventory reports	document management system	by the deadline indicated in the inventory order	chair of the inventory committee	in the document management system (series 5-26)	7 years
Dean's order to award a scholarship	study information system	no later than three working days before the date of payment of the scholarship	employee of the dean's office	in the study information system	15 years
Allocation request	document management system	on an ongoing basis	authorised signatory;	in the document management system (series 5-52)	15 years
Student loan disbursement request	document management system	no later than three working days before the date of payment	Head of the Human Resources Office	in the document management system (series 5-46)	15 years
Request for monetary prizes and awards	document management system	no later than three working days before the date of payment	authorised signatory	in the document management system (series 5-47)	15 years
Contracts under the law of obligations with natural persons, and accompanying delivery and receipt documents	document management system	no later than the 23rd day of the current month	the person appointed by the head of the structural unit	in the document management system (series 12-2 12-2)	15 years
Sick leave certificates	e-Health Insurance Fund	on an ongoing basis		in the e-Health Insurance Fund	7 years

Decision on reimbursement of expenses for the use of a personal car for business travel, with accompanying travel log	document management system	no later than the 5th day of the following month	reporting person	in the document management system (series 5-40)	15 years
Cash in and cash out documents	business software	at the time of the transaction	the accountant responsible for cash transactions	in the business software as a document accompanying cash entries	15 years
Credit card transactions report	document management system	no later than the 5th day of the following month	cardholder	in the document management system (series 5-19)	15 years
Third-party expense reimbursement report	document management system	no later than the 5th day of the following month	authorised signatory	in the document management system (series 5-50)	15 years
Stock reports	a digitally signed document by e-mail	no later than the 5th day of the following month	the person appointed by the head of the structural unit	in the business software as a document accompanying stock entries	7 years
Order for additional remuneration	document management system	no later than the 23rd day of the current month	human resources officer	in the document management system (series 5-38)	15 years
Secondment report	secondments management module	within five working days from return from secondment	seconded	on the intranet	15 years
Secondment order	secondments management module	before commencement of the secondment, but no later than when the costs are to be covered or an advance payment is required	head of the structural unit	on the intranet	15 years
Expense report	business expenses management module	as soon as possible, but no later than the 5th day of the following month	reporting person	on the intranet	15 years
Applications for basic exemption	Jira	no later than the 23rd day of	employee	in Jira	3 years

		the current month			
Payroll documents of non-residents	documents sent by e-mail or post/business software	on an ongoing basis	lead accountant of persons expenses	in the document management system (series 5-43)	15 years
Sales invoice requests for research and other services (excluding educational, rental, public utility services)	document management system	as soon as possible, but no later than within 3 working days from the provision of the service/sale of the products	the person appointed by the head of the structural unit	in the document management system (series 5-48)	15 years
Sales invoices for rental and public utility services	management software	rental invoices no later than the 3rd day of the current month and utility bills no later than the 15th day of the following month	authorised employee of the Real Estate Office	in the business software	7 years
Sales invoices for research and other services (excluding educational services)	business software	no later than three working days after receipt of the sales invoice request by the Accounting Division	sales accountant	in the business software	15 years
Sales invoices to students	study information system	no later than the next working day after the invoice is issued	employee of the dean's office	in the study information system and business software	7 years
Sales invoices to continuing education course participants	continuing education information system	no later than the next working day after the invoice is issued	head of the unit organising continuing education or a person appointed by the head of the unit	in the continuing education information system and business software	7 years
Purchase invoices	purchase invoice management platform	immediately, but no later than 3 working days after receipt of the invoice	authorised signatory	in the digital archive of purchase invoices	15 years
Pay slips	business software	on the working day preceding the payday	lead accountant of persons expenses	in the document management system (series 5-15)	15 years
Bank statements	internet bank	statements are prepared for	accountant	in the document management	15 years

		each banking day on the working day following the banking day		system (series 5-7)	
Bank transfers to the bank	business software	on an ongoing basis	accountant	in the document management system (series 5-15)	15 years
Adjusting entry request	document management system	on an ongoing basis	authorised signatory	in the document management system (series 5-51)	7 years
Application for compensation for glasses	Jira	no later than the 5th day of the following month	reporting person	in Jira	7 years
Document certifying adjustments to the lifetime of non-current assets	document management system	by the deadline indicated in the inventory order	chair of the inventory committee	in the document management system (series 5-27)	15 years
Balance statements	documents sent by e-mail or post/business software	on an ongoing basis	accountant	in the document management system (series 5-28)	3 years
Internal invoices	internal invoicing module	no later than the 5th day of the following month	authorised signatory	on the intranet	15 years
Cash receipts report	a digitally signed document by e-mail	on the last working day of each month	the person appointed by the head of the structural unit	in the business software as a document accompanying cash receipt entries	7 years
Payment order	document management system	no later than the 23rd day of the current month	human resources officer	in the document management system (series 5-37)	15 years
Execution documents and other external documentation supporting payroll	documents sent by e-mail or post	on an ongoing basis	accountant	in the document management system (series 5-21)	15 years
Document certifying movement of assets	document management system	as soon as possible after receipt of the task	head of the structural unit	in the document management system (series 5-27)	15 years
Document certifying write-off of assets	document management system	as soon as possible after	head of the structural unit	in the document management	15 years

		receipt of the task		system (series 5-27)	
Lists of study allowance and scholarship payments	document management system	on the working day preceding the payment	accountant	in the document management system (series 5-22)	15 years
Student travel expense report	document management system	no later than the 5th day of the following month	authorised signatory	in the document management system (series 5-49)	15 years

3.6.3 For national reporting purposes, all source documents for the reporting month shall be submitted to the Accounting Division no later than the 15th day of the following month. Employees shall not be entitled to reimbursement of expenses if the relevant expense report is submitted after the 15th day of the month following the end of the quarter in which the expense was incurred. [entry into force 01.01.2026]

3.6.4 All source documents, accounting ledgers and reports shall be preserved in compliance with legislation and the retention periods indicated in clause 3.6.2. [entry into force 01.01.2023]

3.6.5 Repealed [entry into force 01.11.2025]

## 4. ACCOUNTING FOR CURRENT ASSETS

### 4.1 Cash transactions

4.1. Cash transactions shall be recorded in the official currency of the Republic of Estonia.

4.1.2 Cash settlements shall be avoided wherever possible.

4.1.3 A person performing cash transactions on behalf of the university shall be a materially responsible person authorised to receive and disburse cash, maintain proper records thereof, and assume responsibility for such cash. Such responsibility shall be stipulated in the employee's job description or assigned by a one-time written order of the head of the structural unit. Heads of structural units shall be responsible for ensuring appropriate conditions for the safekeeping and transportation of cash.

4.1.4 As a rule, cash records shall be maintained by an accountant performing the duties of a cashier in the Finance Office. In the absence of the cashier, cash transactions shall be performed by another accountant appointed by the Chief Accountant.

4.1.5 Simplified cash accounting procedures may be applied in units engaged in the sale of university souvenirs, study materials sold to students, and the provision of low-cost services (e.g. photocopying services) to private persons.

In order to perform cash settlements in a structural unit, the head of the structural unit shall submit to the Chief Accountant a request for the appointment of a person responsible for cash handling and, where necessary, for the issuance of a cash ledger.

4.1.6 Cash disbursements shall be made only by prior agreement and advance notice through the Finance Office. Structural units may receive cash only; cash disbursements outside the Finance Office are prohibited, except for deposits made to the university's treasury or credited to the university's bank account.

4.1.7 Cash transactions shall be recorded in the NAV cash journal immediately upon receipt or disbursement of cash. Cash order numbers shall be assigned sequentially, starting from the beginning of each financial year.

4.1.8 Incoming and outgoing cash orders shall be prepared for all cash transactions. Cash received shall be recorded using an incoming cash order, a copy of which shall be issued to the payer. The incoming cash order shall indicate the payer and the basis for receipt of cash. Cash shall be disbursed on the basis of an outgoing cash order, and the recipient shall confirm receipt of the cash by signature. If the recipient is not a university employee, the number of the recipient's identity document (passport, ID card, driving licence) shall be indicated on the outgoing cash order. No corrections shall be made to the data recorded on cash orders.

4.1.9 The cash balance shall be reconciled with the general ledger balance on a daily basis.

4.1.10 In structural units, cash settlements shall be based on pre-numbered cash receipt documents (cash invoices, etc.) registered in the Finance Office or generated by the electronic cash system used in the structural unit.

Each person responsible for cash handling shall submit a monthly cash report, together with copies of cash invoices and/or extracts from the cash system, to the Finance Office.

No later than the last working day of the month in which cash is received, the cash collected during the month shall be deposited in the bank or transferred to the university's bank account.

4.1.11 If no significant disbursements are planned for the calendar month, the accountant performing the duties of a cashier shall deposit any cash balance exceeding 1,000 euros in the bank.

#### 4.2 Banking transactions

4.2.1 Bank current accounts shall be used for depositing funds and effecting non-cash settlements.

4.2.2 Internet banking shall be used for processing bank transactions.

4.2.3 Banking rights (including the issuance of credit cards) shall be granted by a person appointed by the Rector (as a rule, the Chief Accountant). Electronic payments shall be prepared by accountants of the Finance Office who have been granted banking rights in accordance with their assigned responsibilities. Bank transfer transactions shall require the involvement of two persons: one person shall prepare and authorise the payment, and another person shall grant final approval.

4.2.4 Funds held in bank current accounts shall be accounted for by bank, account number, and currency.

4.2.5 Foreign currency transactions shall be recorded in the official currency of the Republic of Estonia and retranslated at the end of each quarter using the exchange rate of the European Central Bank prevailing on the last calendar day of the quarter. On an ongoing basis, foreign currency transactions shall be translated using the exchange rate of the European Central Bank prevailing on the transaction date. Exchange gains and losses arising from the retranslation of bank balances shall be recognised in sub-account 60800000 "Exchange differences".

4.2.6 Bank payments to suppliers and reporting persons shall be recognised in the accounts on the value date of the payment. Other bank transactions shall be recognised no later than the following working day.

4.2.7 Where sufficient information is not available to allocate an incoming payment to the appropriate analytical account, the receipt shall be recognised in sub-account 20360000 "Unidentified receipts". Unidentified receipts outstanding for more than one year shall be recognised as income in sub-account 38889000 "Miscellaneous income".

4.2.8 Bank account balances recorded in the general ledger shall be reconciled with bank statements on a daily basis.

4.2.9 University credit cards shall be used only in exceptional cases where payment by standard bank transfer is not feasible (e.g. conference fees, social media advertising, minor purchases).

4.2.10 A university credit card shall be issued to a staff member who regularly requires the payments referred to in clause 4.2.9. An application for the issuance of a credit card shall be submitted to the Finance Office by the head of the structural unit. In addition to the justification for use, the application shall specify the employee's name, the maximum credit limit, and the intended period of use.

4.2.11 A credit card shall be cancelled when its use is no longer necessary, the employee's duties change, or the employee's employment terminates. The head of the structural unit shall notify the Finance Office of the cancellation.

4.2.12 Employees using credit cards shall submit a monthly credit card transaction report together with the underlying source documents no later than the 5th day of the month following the reporting month. The source documents shall comply with, and be approved in accordance with, clause 3 of the Accounting Policies and Procedures.

4.2.13 The use of a university credit card for personal expenses is prohibited. If a credit card is used for personal expenses, the cardholder shall reimburse the university no later than the end of the month following the month in which the transaction occurred. The cardholder shall not make the card available to another person and shall be responsible for its safekeeping and proper use.

4.2.14 Analytical accounting for credit card transactions shall be maintained within accounts payable under the account category "KREDKAART". A separate vendor account shall be created in the vendor

register for each credit card holder using a dedicated number series. Upon cancellation of the credit card, the corresponding vendor account shall also be closed.

4.2.15 In the event of violations related to the use of a credit card, the card shall be cancelled and the head of the structural unit shall be informed.

#### 4.3 Short-term deposits

Short-term deposits are overnight deposits or deposits with a maturity of less than one year, which have a fixed contractual maturity and are withdrawable on short notice. Such deposits shall be accounted for separately by deposit and by bank. Short-term deposits shall be presented in the balance sheet as monetary assets.

#### 4.4 Trade receivables

4.4.1 Trade receivables shall be accounted for in accordance with the principles laid down in ASBG 3.

4.4.2 Detailed accounting for trade receivables shall be maintained in the accounts receivable subledger. Only one customer account shall be opened in the accounts receivable subledger for each company or person, in which all transactions related to that customer shall be recorded.

4.4.3 Tuition fee invoices for degree-level programmes shall be prepared in the study information system ÖIS by employees of the dean's offices. Tuition fee invoices for continuing education courses shall be prepared in the continuing education information system TÖIS by an employee of the structural unit providing the course. The pre-posted invoices generated in the study information system and the continuing education information system shall be imported into NAV and posted by an accountant.

4.4.4 Invoices for research and development services and other revenue, as well as compensation claims, shall be prepared in NAV by an accountant. An invoice or compensation claim shall be prepared on the basis of a sales invoice request submitted by an employee of the structural unit providing the service or selling the goods. The request shall contain the information necessary to ensure compliance with the requirements established for sales invoices. The request shall be accompanied by supporting documentation on the basis of which the invoice is prepared (e.g. service acceptance report, test report, contract). In the case of a compensation claim, copies of the specific source documents relating to the reimbursable costs shall be provided in addition to the request.

4.4.5 If an issued invoice contains an error or the service has not been provided in full or at all, the claim shall be adjusted by issuing a credit note. A credit note shall indicate the invoice to which it relates. A credit note shall be recognised in the month in which the adjustment is made or in the same reporting period as the invoice being adjusted.

Credit notes for degree-level and continuing education services shall be prepared, depending on the receipt status, in the study information system ÖIS, the continuing education information system TÖIS, or NAV. A credit note prepared in NAV shall be based on a request submitted to the Accounting Division by an employee of the dean's office or of the unit conducting the continuing education course. Credit notes prepared in ÖIS and TÖIS shall be imported into NAV.

Credit notes for other services shall be prepared in the Accounting Division on the basis of a request approved by the head of the structural unit.

4.4.6 Trade receivables shall be measured at amortised cost, which means that the initial carrying amount shall be adjusted, where necessary, for impairment due to uncollectibility.

Accounts receivable shall be monitored on an ongoing basis. Reminders of overdue receivables shall be sent to debtors regularly. Information on unpaid invoices shall be forwarded to the relevant structural units, which shall pursue collection in cooperation with the Accounting Division.

The university has the right to assign claims to a partner providing debt collection services.

4.4.7 Receivables shall be assessed on an individual basis, meaning that the collectability of each invoice shall be evaluated separately. The assessment shall be performed annually at the end of the financial year.

The collectability of a receivable shall be estimated by taking into account both information available at the reporting date and information that becomes available between the reporting date and the date on which the financial statements are authorised for issue, if such information affects the collectability of the receivable.

A receivable shall be classified as doubtful if the customer does not respond to reminder letters, has not entered into a payment agreement with the debt collection agency, or has failed to comply with a payment agreement for several months.

Doubtful receivables shall be recognised in the balance sheet as a credit balance in sub-account 10300900 "Doubtful trade receivables" and in the statement of financial performance in sub-account 60503000 "Impairment of receivables for goods and services".

Upon receipt of a doubtful receivable, sub-account 10300900 "Doubtful trade receivables" shall be debited and sub-account 60503001 "Recovery of impaired receivables for goods and services" in the statement of financial performance shall be credited.

A receivable shall be deemed uncollectible if the debtor has been declared bankrupt, cannot be located, the debt collection agency has confirmed that recovery is not feasible, enforcement proceedings have been unsuccessful or terminated, or in other justified cases. Receivables deemed uncollectible shall be written off.

Receipt of a receivable previously written off as uncollectible shall be credited to sub-account 60503001 "Recovery of impaired receivables for goods and services" in the statement of financial performance.

The Chief Financial Officer shall classify receivables as doubtful or uncollectible on the proposal of the Chief Accountant. [entry into force 24.01.2022]

#### 4.5 Other short-term receivables and prepayments

4.5.1 Other short-term receivables and prepayments shall be accounted for in accordance with the principles laid down in ASBG 3.

4.5.2 Detailed information on recording the transactions in the various receivables and prepayments accounts within account groups 1031–1038 is set out in the user manual of the chart of accounts.

4.5.3 Analytical accounts by responsible person shall be maintained in accounts payable under the account category "AR\_ISIK.

4.5.4 The accounting and reporting of secondment expenses and settlements with reporting persons is governed by the university's Secondment Rules.

4.5.5 Advance payments for secondments to reporting persons and partners shall be recognised as prepayments until completion of the secondment. After the secondment has taken place and the secondment report has been processed, the advance payments shall be recognised as an expense. Any unused portion of the advance payment shall be refunded to the university in accordance with the Secondment Rules.

4.5.6 Other prepaid expenses relating to various services (excluding advance payments for secondments) shall be recognised as prepaid expenses and allocated to expense on a monthly basis over the period during which the service is provided. Expenses shall be recognised in the accounts in full upon posting of the expense document for the entire period to which it relates, including future periods. For simplification purposes, an expense shall be recognised immediately if the amount indicated on the expense document is lower than the capitalisation threshold for non-current assets. Analytical accounting of other prepaid expenses shall be maintained by expense document.

#### 4.6 Accounting for inventories

4.6.1 Inventories shall be accounted for in accordance with the principles laid down in ASBG 4.

4.6.2 The university's inventories shall be accounted for using the FIFO cost formula.

Inventories shall be initially measured at cost, which comprises costs of purchase (excluding VAT) and other directly attributable costs incurred in acquisition.

4.6.3 As a rule, the university's inventories consist of goods purchased for resale. Revenue and expenses relating to goods purchased for resale shall be recorded in account class 38.

Once a year, as a rule at the time of the annual physical inventory, the inventory listing shall be reviewed in order to identify items whose net realisable value may have fallen below their acquisition cost. The head of a structural unit shall assess the need to write down inventories if:

- the physical inventory has established that inventories have either been damaged or their physical condition has deteriorated;
- the market value of similar inventory items has declined; or

- certain inventory items have not been sold or used over an extended period and there is doubt as to whether they can be sold within a reasonable period.

The person responsible for inventories shall be liable for maintaining accurate inventory records enabling identification of transactions relating to the receipt, recording, storage, sale, delivery, transfer, inventory count, preparation of documentation, and reporting.

The aggregated balances of analytical inventory accounts shall be reconciled with the general ledger balances on a quarterly basis by unit.

4.6.4 Prepayments to suppliers for goods and services shall be recorded in inventory account group 1089. Prepayments to suppliers shall be recognised as expenses upon receipt of the goods or services on the basis of an invoice issued by the supplier or another document evidencing receipt of the goods or services. Analytical accounting of prepayments shall be maintained by supplier and by invoice within accounts payable.

#### 4.7 Accounting for low value and other off-balance sheet assets

4.7.1 Assets with an acquisition cost of 2,000 to 9,999.99 euros and intended to be used for more than one year shall be classified as low value assets. [entry into force 01.11.2023]

4.7.2 Items below the capitalisation threshold that are tracked in the NAV non-current assets module shall be classified as other off-balance sheet assets. [entry into force 01.11.2025]

4.7.3 Low value assets and other off-balance sheet assets shall be accounted for off the balance sheet. Analytical accounting of low-value assets and other off-balance sheet assets shall be maintained, similarly to non-current assets, in the NAV non-current assets module, in which assets are classified into the following categories:

- low-value assets (VV);
- other off-balance sheet assets (BV).

The recognition, inventory, and write-off of low-value assets and other off-balance sheet assets shall follow the same principles as those applicable to non-current assets.

## 5. ACCOUNTING FOR NON-CURRENT ASSETS

5.1 Non-current assets are assets used by the university in the performance of its functions arising from the Statutes and with a useful life exceeding one year.

### 5.2 Investments in subsidiaries and associates

5.2.1 Investments in subsidiaries and associates shall be accounted for in accordance with the principles set out in ASBG 11 and shall be recognised in account category 150.

5.2.2 Long-term investments in foundations and non-profit associations shall be recognised only where the university has control over the entity's financial and operating policies.

Where the university has control over an entity, the investment shall be accounted for as an investment in a subsidiary. Where the university does not have control, no investment shall be recognised in the balance sheet and contributions to the investee's capital shall be recognised as expense.

5.2.3 A subsidiary is an entity controlled by the university.

For the definition of the term "subsidiary", the Policies and Procedures apply the approach set out in ASBG 11, which defines the term based on control or dominant influence, irrespective of the size of the ownership interest in the share capital of the other entity. A subsidiary shall be included in the consolidated financial statements from the date on which the university obtains control until the date on which control is lost.

Acquisitions of subsidiaries shall be accounted for using the acquisition method or, where applicable, the adjusted acquisition method. The acquisition date is the date on which control over the acquiree is obtained by the acquirer. Subsidiaries shall be consolidated on a line-by-line basis in the consolidated financial statements. Intragroup balances, transactions, and unrealised gains and losses arising from intragroup transactions shall be eliminated in full.

5.2.4 An associate is an entity over which the university has significant influence but not control.

For the definition of the term "associate", the Policies and Procedures apply the approach set out in ASBG 11, which defines the term based on significant influence, irrespective of the size of the ownership interest in the share capital of the other entity.

Investments in associates shall be accounted for in the consolidated financial statements using the equity method.

5.2.5 In the university's separate financial statements, investments in subsidiaries and associates shall be measured at cost less any impairment losses.

### 5.3 Long-term financial investments

Long-term financial investments shall be accounted for in accordance with the principles laid down in ASBG 3.

Long-term investments in shares and other equity instruments (excluding investments in subsidiaries and associates) shall be recognised in the account category 151.

As a rule, investments in shares shall be measured at fair value. If the fair value of investments in shares cannot be determined reliably, the shares shall be measured at cost less any impairment losses.

### 5.4 Long-term receivables and prepayments

Long-term receivables and prepayments shall be accounted for in accordance with the principles laid down in ASBG 3 and shall be recognised in the account category 153.

For the purpose of determining amortised cost, long-term receivables shall initially be recognised at the fair value of the consideration receivable and subsequently measured using the effective interest method, whereby interest income shall be recognised using the effective interest rate.

If the effective interest rate of a long-term receivable differs from the nominal interest rate specified in the contract, the receivable shall initially be recognised at its present value, discounted using the prevailing market rate of interest for a similar financial instrument.

### 5.5 Investment property

5.5.1 Investment property shall be accounted for in accordance with the principles laid down in ASBG 6 and shall be recognised in the account category 154.

5.5.2 Investment property comprises property (land or a building or part of a building) that the university leases to a non-public sector entity to earn rental income or holds for capital appreciation and that is not used in the university's own operations. Buildings and premises used by a public sector entity shall be recognised as items of property, plant and equipment.

5.5.3 Investment property shall initially be measured at cost, including expenditure directly attributable to its acquisition (e.g. notary fees, state fees, legal and advisory fees, and other expenditures without which the transaction would not have occurred). Borrowing costs shall not be included in the cost of investment property, and non-recoverable taxes and levies incurred on acquisition shall be recognised as an expense.

5.5.4 In accordance with the Public Sector Financial Accounting and Reporting Guidelines, after initial recognition investment property shall be measured at cost less accumulated depreciation and any impairment losses. Depreciation shall be calculated using the straight-line method.

Land (plots without buildings) shall not be depreciated. Each investment property shall be assigned a depreciation rate corresponding to its useful life. Where an investment property comprises significant components with different useful lives, such components shall be accounted for separately and assigned depreciation rates corresponding to their respective useful lives. The university's investment properties shall be depreciated at a rate of 5% per year.

5.5.5 Expenditure on routine maintenance and repairs of investment property shall be recognised as an expense when incurred. When a component of an investment property is replaced, the cost of the new component shall be added to the carrying amount of the property if it meets the definition and recognition criteria for investment property, and the carrying amount of the replaced component shall be derecognised in the consolidated balance sheet.

5.5.6 An investment property shall be derecognised on disposal or when it is permanently withdrawn from use. When the use of an investment property changes, the property shall be reclassified to the appropriate asset class in the consolidated balance sheet. From the date of reclassification, the asset shall be accounted for in accordance with the accounting policies applicable to the asset class to which it has been transferred.

### 5.6 Property, plant, and equipment and intangible assets

5.6.1 Property, plant, and equipment and intangible assets shall be accounted for in accordance with the principles laid down in ASBG 5 and shall be recognised in the account categories 155 and 156.

5.6.2 Property, plant and equipment and intangible assets (hereinafter “non-current assets”) are assets that have been acquired, received free of charge (provided that their fair value can be measured reliably), or recognised under a finance lease and that are used in the university’s own operations for a period exceeding one year and have an acquisition cost of at least 10,000 euros. By way of exception, the following items may be recognised as items of property, plant and equipment irrespective of their acquisition cost: land, works of art, books and records held in public libraries, and other non-depreciable assets whose value does not diminish over time. [entry into force 01.01.2023]

5.6.3 Non-current assets may be recognised as a single asset (asset set) if the set constitutes a functional whole with the same useful life and the acquisition cost of the set exceeds the capitalisation threshold for non-current assets. If significant components of an item of property, plant and equipment have different useful lives, such components shall be recognised separately at initial recognition and depreciated over their respective useful lives. Buildings shall be recognised as comprising components in accordance with the specification provided by the constructor. In the absence of such specification, buildings shall be recorded as comprising the following components:

Building components	Percentage of construction cost %
Main structures of the building, external walls, stairs, non-bearing walls	30
Water, sewerage, heating, ventilation	25
Electricity and low voltage	12.5
Roof and façade coverings	10
Designing	5
Technical utilities (elevators, building automation)	5

5.6.4 Non-current assets may have either a finite or an indefinite useful life. Non-current assets with a finite useful life shall be depreciated, whereas property, plant and equipment with an indefinite useful life shall not be depreciated. Land, works of art, museum exhibits, and other non-depreciable assets shall be classified as non-current assets with an indefinite useful life.

5.6.5 An asset may contain elements of both property, plant and equipment and intangible assets. In such cases, the asset shall be classified according to the component that is predominant in terms of its characteristics and purpose. For example, computer software shall be classified as property, plant and equipment if it forms an integral part of specific hardware.

5.6.6 Analytical accounting of non-current assets shall be maintained in the NAV non-current assets module under the non-current assets class (PV). Non-current assets shall be initially recognised on the basis of a purchase document or other supporting document.

For each recognised item of non-current assets, a non-current asset card shall be maintained containing detailed information on transactions relating to that asset. Each item of non-current assets shall be assigned a unique inventory number corresponding to the number recorded on the non-current asset card. In the case of non-current assets acquired as a set, a separate non-current asset card shall be opened for each item and a unique inventory number shall be assigned to each item. A set shall be identified by the reference “Main asset” or “Component” on the non-current asset card. [entry into force 01.01.2023]

5.6.7 Where an item of non-current assets is constructed by the university’s own employees, the related costs may be capitalised if the total expenditure exceeds the capitalisation threshold for non-current assets.

Costs shall be capitalised on the basis of an act approved by the head of the structural unit, which shall specify:

- remuneration paid to employees for time spent on the construction and installation of the non-current asset and the related payroll taxes;
- the cost of materials used in the construction of the asset;

- material and service costs directly attributable to bringing the asset to its intended location and condition.

The act shall be prepared and submitted quarterly no later than the 15th day of the month following the quarter.

5.6.8 Subsequent expenditure shall be added to the carrying amount of a non-current asset only if it meets the definition of a non-current asset, satisfies the recognition criteria for assets in the balance sheet, and exceeds the capitalisation threshold for non-current assets. Unavoidable dismantling costs directly related to the construction or renovation of an asset shall be capitalised as part of the cost of the improvement. If an improvement results in the replacement of a significant part of an asset or in other significant modifications, the estimated initial cost of the replaced part and the corresponding accumulated depreciation shall be derecognised from non-current assets, even if the replaced part had not previously been accounted for as a separate component. If the initial cost (and therefore the current carrying amount) of the replaced part is not known, it may be estimated based on the current replacement cost of that part less estimated accumulated depreciation.

5.6.9 Major repairs (from 10,000 euros) shall be recorded in a separate account “Capitalised construction works”, and their cost shall not increase the acquisition cost of the building. Other costs shall be recognised as repair or maintenance expenses. Capitalised repair costs shall be depreciated and derecognised when their carrying amount reaches zero.

5.6.10 Non-current assets acquired under a finance lease shall be initially measured at cost and subsequently depreciated. Interest expense relating to the lease shall be recognised as an expense.

5.6.11 Items acquired for library collections shall be recognised as items of property, plant and equipment as an aggregated set (total amount).

The following library collection items shall not be recognised in the consolidated balance sheet:

- library items acquired before 2004;
- library items received as donations;
- legal deposit copies.

Records by unit and title shall be maintained in the library’s information system.

The library of Tallinn University of Technology shall write off library collection items in accordance with the Procedure for Derecognising Library Items, which sets out the bases for writing off different classes of library collection items. Library items shall be written off at cost.

As at the end of the financial year, the library shall submit a report on the movement of books, publications, and other library items, on the basis of which the carrying amount of the library collection shall be adjusted.

5.6.12 At the end of each quarter, the total carrying amount of non-current asset cards shall be reconciled with the corresponding balances in the general ledger, and the accuracy of the balances of prepayments and construction in progress shall be verified. At least once a month, it shall be verified that depreciation has been calculated for all asset cards.

## 5.7 Depreciation, revaluation, derecognition and transfer of non-current assets

5.7.1 The cost of property, plant and equipment and intangible assets shall, as a rule, be depreciated or amortised over their useful lives. Assets with an indefinite useful life shall not be depreciated. Items acquired for decorative and design purposes that do not have permanent value, as well as assets transferred to auxiliary museum collections that are replaced periodically, shall be depreciated over their useful lives. Non-current assets with a finite useful life shall be depreciated on a monthly basis using the straight-line method. Depreciation shall commence in the month in which the asset is available for use (i.e. when it is in the condition and location intended by management) and shall cease in the month preceding full depreciation or derecognition. If a fully depreciated asset remains in use, its cost and accumulated depreciation shall continue to be recognised in the balance sheet until the asset is derecognised. The head of the structural unit shall propose the depreciation rate of an asset based on its expected useful life and the pattern in which the asset’s economic benefits are expected to be consumed.

Depreciation of non-current assets shall be calculated based on the average useful lives of the non-current asset groups as follows:

	Useful life (years)	Annual depreciation rate (%)
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Main structures of the building, designing, external walls, stairs, non-bearing walls	50	2
Windows, doors ( fenestration)	20	5
Interior finishing	10	10
Roof and façade coverings	25	4
Water, sewerage, heating, ventilation	25	4
Electricity and low voltage	25	4
Technical utilities (elevators, building automation)	25	4
Facilities	10-40	2.5-10
Capitalised construction	5-10	10-20
Machinery and equipment, tools and measuring instruments	5-15	6.67-20
Computers, monitors, network devices	5-7	14.29-20
Multimedia and communications equipment	5-10	10-20
Means of transport	5-10	10-20
Furniture	10-20	5-10
Office equipment, kitchen equipment, sports equipment	5-10	10-20
Software, brand	5-10	10-20
Licences, patents, rights	3-5	20-33.33

Depreciation of an asset shall cease when the asset's carrying amount equals its residual value.

5.7.2 If it becomes evident that the actual useful life of an asset differs from the initial estimate, the useful life shall be revised. The remaining useful life of an asset shall be estimated at least once a year during the annual inventory process. The effect of a change in the depreciation period shall be recognised prospectively in the reporting period and in future periods and shall not be applied retrospectively.

5.7.3 An impairment loss shall be recognised where impairment arises due to destruction, dismantling, damage, or disassembly and shall be recognised as an expense of the reporting period. An impairment act shall be prepared and approved by the Chief Financial Officer. [entry into force 24.01.2022]

5.7.4 For non-current assets not required for the provision of public services, the existence of indications of possible impairment shall be assessed at the end of each financial year. Where such indications exist, the asset's recoverable amount shall be estimated and compared with its carrying amount. An impairment loss shall be recognised in the reporting period to the extent that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount shall be determined for an individual asset or, where appropriate, for the smallest identifiable group of assets.

At the end of each subsequent financial year, it shall be assessed whether there are indications that the recoverable amount of an asset previously written down may have increased. If an impairment test indicates that the recoverable amount of an asset or group of assets exceeds its carrying amount, the previously recognised impairment loss shall be reversed and the carrying amount increased to the amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss shall be recognised in the reporting period as a reduction of impairment expenses on non-current assets.

The write-down of assets shall be based on a written assessment by a specialist with knowledge of the asset and/or a reasoned written proposal by the head of the structural unit, approved by the Chief Accountant. An impairment act shall be prepared and approved by the Chief Financial Officer. [entry into force 24.01.2022]

5.7.5 In the event of full disassembly, dismantling, destruction, damage, loss, or similar circumstances, the asset shall be written off. Non-current assets and low-value assets shall be written off on the basis

of a write-off document, which shall include the asset name, inventory number, acquisition date, acquisition cost, date and reason for write-off, and the method and date of disposal or destruction.

A write-off document shall be approved as follows: [entry into force 01.01.2023]

- 1) by the members of the unit's inventory committee and the head of the structural unit;
- 2) in the case of write-off of computers, monitors, network equipment, multimedia and communication equipment, by the relevant employee of IT Services;
- 3) in the case of write-off of vehicles, furniture, office equipment, kitchen equipment, and sports equipment, by the relevant employee of the Real Estate Office;
- 4) write-off documents relating to non-current assets shall be approved by the Chief Financial Officer.

5.7.6 In the event of theft of assets, a police report shall be submitted to the Accounting Division in addition to the write-off document. If an employee is liable for the loss, a receivable shall be recognised in the accounts in the amount to be compensated.

5.7.7 Assets shall be transferred in accordance with the principles laid down in the "Principles for the Acquisition, Encumbrance with Limited Real Rights and Transfer of Assets" applied at the university. Gains on disposal of property, plant and equipment shall be recognised in account groups 3810–3813. Non-current assets for which the university was not entitled to deduct input value added tax at the time of acquisition may be sold without charging VAT in order to prevent double taxation).

5.7.8 A document evidencing the movement of assets shall be prepared when the responsible user changes, when assets are transferred between structural units, or when the location (room) of the assets changes. [entry into force 01.01.2023]

## 6. ACCOUNTING FOR LIABILITIES

6.1.1 A liability is an existing obligation of the university arising from past events, the settlement of which is expected to reduce economically useful resources. Liabilities shall be accounted for in compliance with the principles laid down in ASBG 3, ASBG 8 and ASBG 9.

6.1.2 The accrual basis of accounting shall be applied in accounting for liabilities, whereby all liabilities arising in the reporting period shall be recognised in the balance sheet of that reporting period. Only liabilities whose settlement amount can be measured reliably shall be recognised in the balance sheet.

6.1.3 Liabilities shall be classified in the balance sheet as current or non-current depending on whether they are expected to be settled within twelve months or after more than twelve months from the end of the financial year. Current liabilities are liabilities that are expected to be settled in the ordinary course of operations, are held primarily for trading purposes, or are due to be settled within twelve months from the end of the financial year. Non-current liabilities are liabilities that are expected to be settled more than twelve months after the end of the financial year.

6.1.4 Upon initial recognition, financial liabilities shall be measured at cost, including directly attributable transaction costs. After initial recognition, financial liabilities shall be measured at amortised cost.

6.1.5 The amortised cost of current financial liabilities generally equals their nominal value. Accordingly, current financial liabilities shall be measured at the amount payable.

6.1.6 Non-current financial liabilities shall be initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Thereafter, they shall be measured at amortised cost using the effective interest method.

6.1.7 Liabilities denominated in a foreign currency shall be translated using the exchange rate of the European Central Bank (ECB) prevailing on the transaction date. When a liability is settled in a foreign currency, the amount paid shall be translated into euros using the ECB exchange rate on the payment date. Exchange gains and losses arising on translation shall be recognised in account group 608 or 658, as appropriate. At the end of the financial year, liabilities denominated in foreign currencies shall be translated into euros using the ECB exchange rates prevailing on the reporting date.

## 6.2 Trade payables

Trade payables shall be recognised in account category 201. Detailed accounting records by supplier shall be maintained in the NAV accounts payable subledger, in which only one vendor account shall be opened for each supplier.

## 6.3 Staff payables

6.3.1 Staff payables shall be recognised in account category 202. Wages earned but not yet paid, accrued leave remuneration, payables relating to travel and business expenses, and other staff-related payables shall be recognised as staff payables in the reporting period.

6.3.2 The procedure for remuneration of the university's employees shall be laid down in the Rules for Remuneration.

6.3.3 Wages shall be calculated on the basis of an employment contract concluded with the employee, an additional remuneration order, documents relating to wage deductions, and other relevant documentation. Remuneration for work and services performed under a contract for services, authorisation agreement, author's contract, or other contract under the Law of Obligations Act shall be calculated on the basis of the contract concluded with the person and the related instrument of delivery and acceptance and payment order. Remuneration to professors emeriti, associate professors emeriti, and honorary members shall be paid in accordance with the Universities Act and the university's legislation.

6.3.4 The head of the structural unit or a person appointed by the head of the structural unit, together with the Human Resources Office employee entering the source data into the NAV human resources and payroll module, shall be responsible for the accuracy of the source data required for calculating remuneration. All payroll source data (including financing sources) shall be entered into the NAV human resources and payroll module by employees of the Human Resources Office. All other payroll source documents shall be submitted to the Payroll Division no later than the 23rd day of the current month. [entry into force 01.01.2023]

6.3.5 Records of employees' working time shall be maintained electronically in the NAV human resources and payroll module.

6.3.6 Remuneration shall be calculated once a month and paid to the employee's bank account no later than the last day of the current month, unless otherwise provided in the contract.

6.3.7 Liabilities relating to vacation time earned and expensed in the reporting period but not yet paid, including social tax and unemployment insurance contributions, shall be recognised as vacation pay payables. An inventory of vacation pay payables shall be performed as at the end of the financial year, and the carrying amount shall be adjusted as necessary. Advances of vacation pay shall be recorded in account 10393000 "Salary and vacation pay advances". [entry into force 01.01.2023]

6.3.8 Detailed accounting records for reporting persons shall be maintained in the NAV accounts payable subledger, in which one card shall be opened for each reporting person.

## 6.4 Other payables and advances received

6.4.1 tax liabilities, accrued expenses, grant liabilities, prepayments received for grants, and other advances received shall be recognised as other payables and advances received. Other payables and advances received shall be recognised in account category 203.

6.4.2 Current tax liabilities not yet transferred to the Tax and Customs Board, as well as fines or penalties on tax arrears shall be recognised as taxes payable. Taxes payable shall be recognised in account group 2030.

6.4.6 Pursuant to the Value-Added Tax Act, VAT shall be charged on supplies of goods and services made in the course of the university's business activities as a taxable person.

For the deduction of input VAT, the university shall apply a method combining direct attribution and proportional deduction. VAT records by financing source shall be maintained for each financing source.

Financing sources shall be classified into three groups for VAT purposes:

- 1) sources whose income is subject to VAT and for which input VAT on related expenses is deductible;
- 2) sources whose income is exempt from VAT and for which input VAT on related expenses is borne by the university;

- 3) sources whose revenue includes both taxable and exempt income and for which input VAT on related expenses is deducted proportionately.

As a rule, proportional deduction of input VAT shall be applied upon acquisition of non-current assets. In accordance with the Value-Added Tax Act, input VAT shall not be deducted on fringe benefits, gifts, or goods and services relating to the reception of guests, irrespective of the financing source.

The proportion of deductible input VAT shall be determined based on the ratio of taxable supplies made during a calendar year (for which input VAT is deductible pursuant to the Value-Added Tax Act) to total supplies. Total supplies shall include revenue from non-business activities (e.g. government grants and other grants).

6.4.4 Accruals shall be recognised in account group 2032 and shall include expenses accrued during the reporting period for which no invoice has been issued or received. Accruals shall include, inter alia, calculated but unpaid scholarships and grants, accrued interest payable on loan liabilities, and credit card transactions.

Scholarships shall be accounted for in accordance with the Rector's directive "The Basis for Awarding and the Procedure for Payment of Scholarships".

6.4.5 Grants payable shall be recognised in account group 2035 and shall include liabilities to pay or transfer government grants where the period in which the related grant expenses are recognised has occurred (i.e. the university has incurred eligible expenses), but the grant provider or intermediary has not yet transferred the funds.

6.4.6 Other payables shall be recognised in account group 2036 and shall include unidentified receipts, guarantee deposits, and payables related to government grants and co-financing.

6.4.7 Prepayments received for grants shall be recognised in account group 2038 and shall include funds received for grants for which the period in which related revenue or grants related to assets are recognised has not yet occurred (i.e. expenses have not been incurred or other eligibility conditions have not been met).

6.4.8 Other advances received and deferred income shall be recognised in account group 2039 and shall include prepayments received from customers that are expected to be recognised as revenue within the next twelve months in the period to which the income relates. Deferred income below the capitalisation threshold for non-current assets shall be recognised as revenue immediately without allocation to future period.

## 6.5 Provisions

6.5.1 A provision is a liability of uncertain timing or amount.

6.5.2 Provisions shall be recognised as current or non-current provisions in account categories 206 and 256, based on the estimated timing of settlement of the obligation..

6.5.3 A provision shall be recognised based on management's best estimate of the expenditure required to settle the obligation and the expected timing of settlement.

6.5.4 Where it is probable that a provision will be settled more than twelve months after the reporting date, it shall be measured at its present value unless the effect of discounting is immaterial..

6.5.5 The recognition of a provision shall be recorded as an expense, and any decrease in a provision shall be recognised as a reduction of expenses.

## 6.6 Borrowings

6.6.1 All borrowings bearing interest or similar finance costs arising from financing activities shall be recognised in the balance sheet. Current loans shall be recognised in account category 208 and non-current loans in account category 258.

6.6.2 A loan liability that is due to be settled within twelve months after the reporting date but is refinanced as a non-current liability after the reporting date and before the financial statements are authorised for issue shall be classified as current. Liabilities that become payable on demand at the reporting date due to a breach of the provisions of the loan agreement shall also be classified as current.

6.6.3 The classification of a lease as a finance lease or an operating lease shall be based on the substance of the transaction rather than the legal form of the agreement.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. All other leases shall be classified as operating leases.

The following criteria indicate situations in which substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee and, accordingly, the lease is classified as a finance lease:

- ownership of the asset is transferred to the lessee by the end of the lease term;
- the lessee has an option to purchase the leased asset at a price expected to be sufficiently lower than its fair value at the date the option becomes exercisable, and it is reasonably certain at the inception of the lease that the option will be exercised;
- the lease term covers a major part (over 75%) of the economic life of the leased asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to substantially all (over 90%) of the fair value of the leased asset;
- the leased asset is of such a specialised nature that only the lessee can use it without major modifications, as a result of which the lease agreement is likely to be renewed to cover a major part of the asset's economic life.

Pursuant to the Public Sector Financial Accounting and Reporting Guidelines, the university shall also classify as finance leases situations in which the leased assets cannot be easily substituted with another asset.

6.6.4 Derivative financial instruments shall be initially recognised at fair value on the date the derivative contract is entered into. After initial recognition, derivative financial instruments shall be measured at fair value at the end of each financial year. Derivatives with a positive fair value shall be classified as financial assets, and derivatives with a negative fair value shall be classified as financial liabilities. Gains or losses arising from changes in fair value shall be recognised in the statement of financial performance of the reporting period.

## 7. NET ASSETS

Net assets are recognised in the account class 29. The university's capital and accumulated surplus or deficit are recognised in the account category 298. The university's capital is legal reserve formed from accumulated surpluses. The net surplus for a financial year is recognised in the account category 299. All adjustments that are not related to the current year's operations are made in the the accumulated surpluses.

## 8. ACCOUNTING FOR OPERATING REVENUE

8.1 Revenue is defined as increases in economic benefits during the reporting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in the university's net assets.

Revenue shall be accounted for in compliance with the principles laid down in ASBG 3, ASBG 9 and ASBG 10.

The university's operating revenue shall be classified as follows:

- revenue from economic activities
- operational funding received
- grants received
- other revenue

### 8.2 Revenue from economic activities

8.2.1. The university's revenue from economic activities includes revenue from the provision of educational services, revenue from research and development activities, other revenue from educational activities, rental and leasing income, and sales of other goods and services.

For detailed statistical reporting, a separate resource has been created in the accounting system for each type of revenue.

8.2.2 Revenue from the sale of goods and the provision of services shall be measured at the fair value of the consideration received or receivable, taking into account any discounts and rebates granted.

Revenue from the sale of goods shall be recognised when substantially all significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue and the costs incurred or to

be incurred in respect of the transaction can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the university.

Revenue from the provision of services shall be recognised when the service has been rendered or, if the service is rendered over an extended period, by reference to the stage of completion of the service.

8.2.3 Revenue from services rendered over an extended period shall be recognised by reference to the stage of completion of the transaction, provided that the outcome of the transaction (i.e. revenue and expenses relating to the transaction) can be estimated reliably.

The outcome of a transaction can be estimated reliably when all of the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the university;
- the stage of completion of the transaction can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

8.2.4 Revenue from research and development contracts entered into with local and foreign customers shall be recognised as revenue from research and development activities.

Pursuant to clause 8.2.3 and the matching principle, all financial entries relating to ongoing long-term R&D contracts shall be reviewed twice a year (as at 30 June and 31 December) by financing source.

Where the amount recognised as expenses exceeds the amount recognised as revenue and equals or exceeds the capitalisation threshold for non-current assets, the difference shall be recognised in sub-account 32201009 "Allocation of revenue from R&D services", with a corresponding entry in sub-account 10319000 "Other accrued income".

When a service is performed over a long period, a sales invoice shall be issued, resulting in the recognition of revenue in the sub-account "Research and development contracts and services provided", a receivable in sub-account 10300000 "Trade receivables", and a reversal of the previously recognised allocation entry.

8.2. Revenue from the provision of educational services comprises tuition fees charged to students and participants in continuing education programmes. Revenue shall be recognised in the period in which the service is rendered. Where part of an educational service is rendered in the following financial year, the relevant portion of tuition fees received shall be recognised in the consolidated balance sheet in sub-account group 2039900 as deferred income. Of tuition fees for degree-level programmes received for the autumn term, 80% shall be recognised as revenue in the reporting period and 20% shall be recognised as deferred income and recognised as revenue in January of the following financial year. Invoices for continuing education services exceeding the capitalisation threshold for non-current assets shall also be allocated to the relevant periods.

8.2.6 Rental income comprises income from persons renting premises from the university and income from the mediation of ancillary costs associated with the use of premises.

8.2.7 Sales of other products and services comprises revenue from the organization of conferences, sales of souvenirs, books and other economic activities.

### 8.3 Operational funding received

Operational funding received shall be recognised in account category 352 in accordance with the chapter on grants in the Accounting Policies and Procedures.

### 8.4 Government grants received

Government grants received shall be recognised in account category 350 in accordance with the chapter on grants in the Accounting Policies and Procedures.

### 8.5 Other revenue

Other revenue comprises gains or losses on disposal of inventories and property, plant and equipment recognised in account category 381, and fines, late interest, compensation, and other miscellaneous income recognised in account category 388.

## 9. ACCOUNTING FOR OPERATING EXPENSES

9.1.1 Expenses are reductions in economic benefits during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in the university's net assets.

Expenses shall be recognised in the same financing source and in the same period as the related income. If the income related to certain expenses cannot be directly identified, indirect allocation methods shall be applied. Expenditure that cannot be associated with specific income shall be recognised in the period in which it is incurred.

9.1.2 Only expenses related to the university's activities and duly documented shall be recognised as expenses.

Consideration paid on behalf of another entity shall be treated as a pass-through cost. Pass-through costs shall be recognised in the relevant expense account and subsequently reversed when the costs are passed on.

The university's operating expenses shall be classified as follows:

- staff costs
- other operating expenses
- grants and scholarships provided
- pass-through grants and membership fees
- depreciation, amortisation and impairment losses
- other expenses

## 9.2 Staff costs

9.2.1 Staff costs comprise remuneration expenses, social security tax and fringe benefits, and related taxes.

9.2.2 Remuneration expenses comprise basic salary accrued for the reporting period, additional remuneration, sickness benefits, bonuses, allowances payable to employees, remuneration calculated on the basis of contracts under the Law of Obligations Act, licence fees and royalties, vacation pay, and other expenses relating to contractors that are treated as remuneration expenses.

Social tax expenses comprise social tax calculated on remuneration and unemployment insurance premiums payable by the employer.

9.2.3 Vacation pay shall be recognised in the period in which the leave is taken and paid. The vacation pay provision shall be calculated as at the reporting date by adjusting the expense of the reporting period and the corresponding balance sheet account.

9.2.4 As a rule, fringe benefits are monetarily measurable benefits granted to an employee or the employee's close relative in connection with an employment relationship.

For the purposes of fringe benefit taxation, a natural person working or providing services under a contract for services, authorisation agreement, or other contract under the Law of Obligations Act, as well as a natural person who sells goods to an employer for a period exceeding six months, shall also be deemed to be an employee.

As a rule, the value of a fringe benefit shall be determined based on the market price of the goods or services provided. When recognising costs related to fringe benefits, it shall be assessed whether the benefit granted is monetarily measurable. A benefit that is not monetarily measurable shall not be treated as a fringe benefit.

## 9.3 Other operating expenses

9.3.1 Other operating expenses shall be recognised in account class 55. Expenses shall be classified into account categories and groups in accordance with the chart of accounts.

9.3.2 Repealed [entry into force 01.11.2025]

9.3.3 Representation and entertainment expenses comprise the following payments specified in the Income Tax Act: expenses incurred in connection with the provision of catering, accommodation, transportation or entertainment to guests and co-operation partners.

The person incurring representation and entertainment expenses shall add information on the date, place, purpose, organisers, and participants of the event to the source document. As a rule, a list of participants shall be prepared, with university staff listed separately (as their reception expenses are generally treated as fringe benefits).

Expenses for accommodation and transportation shall not be regarded as representation and entertainment expenses where such expenses relate to the university's core activities and a written justification has been provided. Expenditure invoiced to a third party (e.g. for organising training or a conference) shall likewise not be treated as representation and entertainment expenses.

The rental of premises for customer events or meetings shall not be regarded as entertainment expenses and shall not constitute a taxable fringe benefit.

9.3.4 Taxable and tax-exempt gifts are recorded in separate accounts in the chart of accounts. Taxation shall be carried out in compliance with the Income Tax Act. The structural unit that incurred the expense shall indicate the recipient of the gift on the expense document. [entry into force 01.01.2023]

9.3.5 Travel expenses comprise expenses related to secondments of employees and students. Secondments include professional training recognised in the account group 5504 and other secondments recognised in the account group 5503.

Secondments of the Rector and persons working under employment contracts, as well as reporting on secondments and reimbursement procedures, shall be governed by the university's "Secondment Rules".

9.3.6 Reimbursement of expenses related to the use of a personal car for official duties shall be calculated in accordance with applicable national legislation and the "Procedure for Reimbursement of Expenses Related to the Use of a Personal Car for Business Travel" applied at the university.

Such reimbursement shall be paid only to members of the university's management board and employees working under employment contracts.

9.3.7 Tax-exempt reimbursement of occupational health expenses shall be based on the principles laid down in the Income Tax Act, the Occupational Health and Safety Act, the occupational health and safety procedures applicable at the university, and other internal regulations.

Occupational health expenses reimbursed in accordance with legislation and not subject to tax shall be recognised in account group 5522.

9.3.7.1 Employees who work with display screen equipment shall be partially reimbursed for the cost of glasses or other corrective visual aids where such costs are necessary due to work-related health impairment. Reimbursement shall be approved by the university's chief working environment specialist.

9.3.7.2 Vaccination costs for employees shall be covered in accordance with the following principles: [entry into force 01.01.2024]

1) Influenza vaccination costs for all university employees are centrally covered from the budget of the Human Resources Office. Reimbursement of vaccination costs shall be approved by the university's working environment specialist;

2) Vaccination costs for employees exposed to biological agents in the course of their work for which an effective vaccine exists shall be covered from the budget of the relevant structural unit;

3) Vaccination costs shall be covered from the budget of the relevant structural unit where an employee is sent to a country requiring prior vaccination to prevent potential health risks.

Reimbursement of vaccination costs shall be approved by the university's chief working environment specialist.

9.3.8 Clothing suitable for the nature of the work and designed to protect the health or safety of employees shall be regarded as special work or protective clothing. The principles governing the purchase and use of such clothing for students and employees shall be set out in the "Occupational Health and Safety Management Regulations" applicable at the university. Where it is mandatory to wear a uniform bearing the university logo within a structural unit or when representing the university at promotional events, fairs, or conferences, and where it is ensured that the clothing is used solely for official duties, such expenditure shall not constitute a taxable benefit. The authorised signatory shall confirm the mandatory nature of the use and indicate the time and place of use on the expense document. Non-taxable expenses relating to special work or protective clothing shall be recognised in account group 5532.

9.3.9 Only documented expenses may be reimbursed to third parties with whom the university has no employment relationship but who are staying at or representing the university.

The employee approving the expense document of the unit covering such expenses shall attach to the underlying source document a written explanation describing how and why the reimbursed expenses were incurred in the university's interest and are related to its core activities. Taxation of expenses reimbursed to third parties shall be based on the Income Tax Act, and such expenses shall be recognised in accounts 55404000 and 55404010.

The university may reimburse expenses related to services provided by a person with whom it has entered into a contract (e.g. an authorisation agreement or contract for services), provided that reimbursement of such expenses is stipulated in the contract and the expenses are duly documented. The employee of the unit covering the expenses shall attach the relevant contract or indicate a reference to it in the university's document management system.

Where travel expenses reimbursed to a third party include fuel costs, the following conditions shall be met:

- the expense document shall be a fuel receipt dated, as a rule, within three days before or after the reimbursable travel (any deviation shall be justified in writing);
- the expense document shall be accompanied by a travel report indicating the date of travel, kilometres travelled, the agreed calculation method, and the amount payable.

#### 9.4 Grants and scholarships provided

Grants and scholarships provided shall be recognised in account class 41 in accordance with the chapter on grants in the Accounting Policies and Procedures.

#### 9.5 Pass-through grants and membership fees

Pass-through grants and membership fees shall be recognised in account class 45 in accordance with the chapter on grants in the Accounting Policies and Procedures.

#### 9.6 Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses shall be recognised in account class 61. The accounting principles applied by the university are set out in the chapter "Property, Plant and Equipment and Intangible Assets" of the Accounting Policies and Procedures.

#### 9.7 Other operating expenses

Other operating expenses shall be recognised in account class 60 as follows:

- taxes (excluding taxes on labour costs), penalties and levies in the account category 601;
- doubtful receivables in the account category 605;
- foreign exchange differences (excluding finance income and expenses), impairment losses and other similar expenses in account category 608.

### 10. ACCOUNTING FOR FINANCE INCOME AND COSTS

Finance income and costs shall be recognised in account class 65 as follows:

- interest expenses in account category 650;
- share of profit or loss of associates accounted for using the equity method and gains or losses on disposal of shares in subsidiaries or associates in account category 652;
- income from deposits and securities in the account category 655;
- interest income and other finance income and costs in the account category 658.

### 11. ACCOUNTING FOR GRANTS

11.1 Grants comprise resources received (grants received) through non-exchange transactions, i.e. without directly providing goods or services in return, and resources transferred (grants provided or passed on) through non-exchange transactions, i.e. without directly receiving goods or services in return. Grants shall be accounted for in accordance with the principles set out in the Public Sector Financial Accounting and Reporting Guidelines.

Grants shall be classified as social benefits, government grants, and operational funding grants.

#### 11.2 Social benefits

11.2.1 Social benefits are benefits paid to natural persons. Social benefits paid by the university include scholarships and grants. Scholarships shall be awarded and paid in accordance with the Rector's directive "The Basis for Awarding and the Procedure for Payment of Scholarships".

11.2.2 Scholarships and grants for students shall be calculated and paid on the basis of data obtained from the study information system.

11.2.3 Personalised and taxable scholarships not recorded in the study information system shall be accounted for, declared, and paid by the Payroll Division on the basis of a request submitted by the structural unit bearing the cost.

Other scholarships not recorded in the study information system (e.g. ERASMUS scholarships) shall be accounted for and paid by the Accounting Division on the basis of a request submitted by the structural unit bearing the cost.

11.2.4 Scholarships and grants shall be recognised as follows:

- prepaid scholarships and grants relating to future periods shall be recognised in account 103860;
- scholarship and grant liabilities recognised as an expense but not yet paid shall be recognised in account 203290;
- scholarship and grant expenses shall be recognised in account group 4134.

### 11.3 Government grants

11.3.1 Government grants are grants received or provided on a project basis with a specified objective, defined milestones for monitoring achievement of the objective, a specified timeframe, and a monetary budget. The grant provider or intermediary requires detailed project reporting from the beneficiary, and any surplus funds shall be returned to the grant provider at the end of the project.

11.3.2 Government grants comprise domestic and international grants.

Domestic grants comprise grants received from Estonian residents including other public sector entities (except international grants passed on by them). International grants comprise grants received from non-residents, including international organisations.

Co-financing of international grants is a specific type of domestic grant, representing grants that supplement international grants. Where a grant is co-financed by another foreign entity or international organisation under the agreement, it shall be classified as an international grant and not as domestic co-financing. Domestic co-financing shall be recognised separately from other domestic government grants.

11.3.3 A grant shall be recognised when cash is received or transferred, or when the related receivable, payable, revenue, or expense is recognised.

11.3.4 A grant shall be recognised as revenue in the period in which the related operating expenses are incurred or the non-current asset is acquired, unless the grant conditions create a risk that the grant may be reclaimed or may not be received. Government grant revenue shall be recognised taking into account the financing terms, including completed project activities, eligible expenses, and the applicable grant percentage.

11.3.5 Where a grant provider or intermediary applies simplified cost reimbursement (e.g. standard unit costs) without requiring supporting expense documentation, grant revenue shall be recognised in the period in which the grant is awarded.

11.3.6 Where a grant has been received but significant conditions attached to it have not yet been fulfilled, the grant shall be recognised as an advance received. Once the conditions have been fulfilled (i.e. activities completed and eligible expenses incurred), the grant shall be recognised as revenue and the advance reduced accordingly.

11.3.7 Where eligible expenses have been incurred but the grant has not yet been received and payment is subject to approval of the project report by the financier, the grant shall be recognised as revenue and a corresponding receivable.

11.3.8 Government grants shall be classified as grants related to income or grants related to assets.

11.3.8.1 Grants related to income (grants for covering operating expenses) shall be recognised in accordance with the matching principle. Such grants shall be recognised as revenue in proportion to the related expenses. Grants related to income shall be recognised using the gross method, whereby the grant revenue and the related expenses are presented separately in income and expenses.

11.3.8.2 The primary condition for grants related to assets is that the university, as grant recipient, must purchase, construct, or otherwise acquire a specific non-current asset. Grants related to assets shall be recognised as income in the period in which the non-current asset is acquired.

For accounting purposes, the grant recognition date shall be the date on which the non-current asset is acquired (in the case of capitalised construction works, the date on which the capitalised work is

completed). The cost of an asset acquired through a grant shall be recognised as property, plant and equipment or as an intangible asset, depending on the nature of the asset.

11.3.9 In the consolidated statement of financial performance, the university shall distinguish between grants received for its own use and pass-through grants. Pass-through grants are grants received for transfer to another party and not for covering the university's own operating expenses or acquiring assets. Where the university acts as a grant intermediary, revenue from grants received for transfer shall equal expenses from grants passed on.

11.3.10 Non-monetary grants shall be classified as follows:

- grants received through three-party arrangements where the grant provider or intermediary transfers cash directly to the supplier of goods or services received by the university;
- grants received through transactions where the grant provider delivers goods or services to the university as the grant recipient without a direct sale by the supplier.

Non-monetary grants shall be measured at the fair value of the goods or services received.

Assets received from other public sector entities as non-monetary grants shall be measured at fair value or, if fair value cannot be reliably determined, at their carrying amount in the transferor's financial statements.

11.3.11 Where it becomes evident that conditions attached to a grant have not been fulfilled and the university, as intermediary or recipient, is liable to the grant provider for compliance with such conditions, the university shall recognise, at the date the breach is identified, a receivable from the grant recipient and/or a liability to the grant provider and shall reduce grant revenue and/or grant expense accordingly.

11.3.12 Government grants shall be accounted as follows:

- in account group sub-group 10355 – short-term grant receivables, where the conditions for receiving the grant have been fulfilled, eligible expenses have been incurred, and receipt of the grant is considered certain;
- in account group sub-group 10365 – grant and co-financing recoveries receivable, representing amounts unduly paid to a partner or recoverable due to non-compliance or other reasons;
- in account group sub-group 10385 – prepaid grants to partners, where the grant has been transferred but the period in which the related expenses are recognised has not yet occurred (i.e. the recipient has not yet incurred eligible expenses or provided the required documentation);
- in account group sub-group 20355 – liabilities to pass on government grants where the partner has incurred eligible expenses, but the university has not yet transferred the funds;
- in account group sub-group 20365 – repayment of grants and co-financing where the university, as intermediary or recipient, has not used funds for their intended purpose or where the financier has identified non-compliance;
- in account group sub-group 20385 – funds received for grants where the period in which related revenue or asset-related grants are recognised has not yet occurred (i.e. expenses have not been incurred or other eligibility conditions have not been met);
- in account group 3500 – grants related to income;
- in account group 3502 – grants related to assets;
- in account group 4500 – grants related to a partner's income;
- in account group 4502 – grants related to a partner's assets;
- government grant-related contingent liabilities and contingent receivables shall be recorded off the balance sheet in accounts 911010 and 912010 annually as at the end of the financial year.

11.3.13 Analytical accounting of government grants shall be maintained in the NAV project accounting module.

## 11.4 Operational funding grants

11.4.1 Operational funding grants are funding provided on the basis of the functions and responsibilities set out in the statutes and the objectives defined in the development documents of the recipient. As a rule, these comprise funding from the state budget, including operational funding for educational activities, baseline funding, institutional research funding, and similar allocations. Operational funding received also includes other funding from the public and private sectors. Operational funding grants shall be recognised on a cash basis upon receipt.

11.4.2 Operational funding grants are recognised as follows:

- operational funding received in the account category 352;
- operational funding provided, which are mainly membership fees, in account category 452.

## 12. INTERNAL TURNOVER

12.1 The following shall be recognised as internal turnover:

- the sale of goods or the provision of services between university units;
- provision transfers to the university's general fund;
- provision transfers between units;
- transfers to cover project self-financing;
- provision transfers to cover ineligible project costs, etc.

12.2 Transactions involving internal turnover shall be carried out on the basis of:

- internal invoices processed in the university's internal invoicing module;
- applications;
- the university's internal regulations;
- project regulations, and other relevant documentation.

12.3 Transactions involving internal turnover shall be recognised in off-balance-sheet accounts as follows:

- revenue in the account group 7000;
- expenses in the account group 7005.

## 13. RELATED PARTIES

13.1 Information on transactions concluded with related parties shall be recorded in compliance with the principles laid down in the Public Sector Financial Accounting and Reporting Guidelines and ASBG 15.

13.2 For the purposes of consolidated financial statements, related parties include: [entry into force 01.01.2026]:

- the group's associates;
- foundations in which the university is a founding member;
- members of the executive and senior management of the university (members of the University Board, the Rector, the Vice-Rectors, the area directors, the Director for Administration) and foundations, non-profit associations and companies under their control or significant influence;
- close family members of the members of the executive and senior management of the university, including spouses, domestic partners and children, and foundations, non-profit associations and companies under their control or significant influence.

13.3 Remuneration and other significant benefits provided to members of the executive and senior management shall be disclosed in the financial statements.

In accordance with the Public Sector Financial Accounting and Reporting Guidelines, information on other related party transactions shall be disclosed only where such transactions do not comply with general legal requirements or the university's internal rules, or where they have not been conducted on market terms.

13.4 Members of the executive and senior management shall submit, via the university's intranet, a declaration of foundations, non-profit associations, and companies under their control or significant

influence, or under the control or significant influence of their close family members, within two months after the end of the financial year..

13.5 The Accounting Division shall identify financial transactions conducted with related parties during the financial year and prepare the corresponding notes to the consolidated financial statements.

Unless otherwise indicated (e.g. by a comment in the approval process of a purchase or sales invoice), the Accounting Division shall assume that transactions comply with applicable legal requirements. Transactions that do not comply with such requirements shall be disclosed in a note to the consolidated financial statements.

## 14. INVENTORY

14.1 Inventories shall be conducted to establish the actual balances and verify the value of assets and liabilities. Inventories shall be carried out within a period that ensures the preparation and submission of reports by the prescribed deadlines, but at least once a year (annual inventory).

Documentation evidencing the completion of the inventory shall include balance confirmation letters, bank statements, inventory reports, or other documents confirming that assets and liabilities have been properly recorded.

14.2 For the preparation of quarterly, semi-annual, and annual reports, inventories of the balances of the university's assets and liabilities shall be conducted in accordance with the procedure and within the deadlines established by the Chief Accountant.

14.3 The deadlines for conducting inventories of assets and liabilities are as follows:

	<b>Assets/liabilities subject to inventory</b>	<b>Inventory frequency and scope</b>
14.3.1	Cash and cash equivalents	Daily reconciliation of balances, bank confirmation letters at the end of the year, verification of cash on hand on the last day of each quarter and when the person bearing material responsibility changes, unannounced verification in the course of work
14.3.2	Taxes receivable and payable	Reconciliation of balance sheet balances with Estonian Tax and Customs Board's account records in the e-Tax Board information system on an on going basis and at the end of each month, investigation and resolution of differences
14.3.3	Other receivables and prepayments	Monthly reconciliation of sub-ledgers with balance sheet balances, quarter-end inventory, balance confirmation letters from all significant debtors as at the year-end or two months before the end of the financial year
14.3.4	Financial investments	Monthly reconciliation of sub-ledgers with balance sheet balances, remeasurement to fair value, where applicable, quarterly calculation of accrued interest, balance confirmation letters as at the year-end or balance reconciliations concerning all significant investments
14.3.5	Inventories	Physical inventory count at least annually up to one month before the end of the financial year; assessment of impairment of slow-moving inventories
14.3.6	Property, plant and equipment (excluding assets belonging to museum collections and items belonging to library collections), low value assets and off-balance sheet assets	Physical inventory count at least annually, conducted up to two months before the end of the financial year; assessment of the remaining useful lives and any impairment of assets or reversal of previously recognised impairment.
14.3.7	Payables and prepayments	Monthly reconciliation of sub-ledgers with balance sheet balances, quarter-end inventory, balance confirmation letters from all

		significant creditors as at the year-end or up to two months before the end of the financial year
14.3.8	Inter-entity balances between public sector entities submitting trial balances	Monthly reconciliation based on the trial balance information system requests
14.3.9	Target-financed projects	Quarterly inventory procedures for accrual-based recognition of project revenue and expenses as at the last day of each quarter

14.4 The inventory of the cash on hand of the Accounting Division shall be conducted by a two-member committee consisting of accountants. The accountant performing cashier duties shall participate in the cash count as an observer. An inventory sheet shall be prepared documenting the results of the cash count and shall include the following information:

- 1) the date of the inventory count;
- 2) the names and positions of the members of the committee;
- 3) the number of the last cash receipt and cash disbursement order;
- 4) the cash balance stated in figures and in words;
- 5) the cash balance according to the accounting records and any differences identified;
- 6) the signatures of the members of the committee and the responsible person.

14.5 Bank statements shall be reconciled with the corresponding bank account balances on a daily basis. As at the end of the financial year, all financial institutions with which cash settlements were conducted during the year shall be requested to confirm year-end balances.

14.6 The inventory of financial investments shall be conducted at the end of the financial year. The fair value of investments shall be measured, where applicable. Short-term and long-term financial investments shall be classified as at the end of the financial year. As at the reporting date, investments denominated in foreign currencies shall be translated using the exchange rates of the European Central Bank prevailing on that date.

14.7 An inventory of receivables shall be conducted at the end of each quarter by reconciling balance sheet balances with the corresponding sub-ledgers.

The inventory of receivables shall be carried out by the accountant responsible for receivables, who shall prepare and send balance confirmation letters to significant debtors on the date specified in clause 14.3.3. As a rule, a debtor whose balance on the inventory date exceeds the capitalisation threshold for non-current assets shall be considered a significant debtor. Balance confirmation letters need not be sent to other debtors unless there is reason to suspect discrepancies.

A reconciliation report shall be prepared based on the results of the receivables inventory and shall include the following:

- 1) details of the debtors;
- 2) amounts of the receivables;
- 3) amounts confirmed in response to balance confirmation letters;
- 4) differences between the university's accounting records and the confirmed balances and the reasons for such difference;
- 5) the date of the inventory.

14.8 A physical inventory count of inventories shall be conducted by a committee of at least two members appointed by the head of the structural unit. The person responsible for inventories shall participate in the inventory count as an observer.

An inventory report shall be prepared documenting the results of the inventory count and shall include the following information:

- 1) the date of the inventory count;
- 2) the names and positions of the members of the committee;
- 3) the name of the inventory item and its acquisition cost;
- 4) the quantity counted;
- 5) any differences compared with the accounting records;

6) the signatures of the members of the committee and the responsible person.

In the event of discrepancies or indications of impairment, reports shall be prepared to document shortages, overages, and impairment losses. A written explanation by the responsible person regarding any shortages or overages, together with a written decision of the head of the structural unit on the recovery of any shortages, shall be attached to the final inventory report. On the basis of the inventory sheet, the accountant responsible for the inventory shall prepare a summary report setting out the results of the inventory count and any identified shortages or overages. Adjustments to the accounting records shall be made on the basis of the approved inventory reports.

14.9 The scope of, and rationale for, the physical inventory of the university's property, plant and equipment, low-value assets, and off-balance sheet assets, the composition of the inventory committee, and the deadline for submission of the signed inventory reports shall be determined by order of the Chief Financial Officer. The head of a structural unit shall propose the appointment of the members of the unit's inventory committee. The mandate of the inventory committee shall be one year. A person responsible for the assets subject to inventory shall not be a member of the inventory committee.

The chair of the inventory committee shall be responsible for convening the committee and ensuring that the inventory is conducted properly.

For the purpose of conducting a physical inventory, the asset accountant shall provide pre-completed inventory sheets containing the following information:

- 1) structural unit code;
- 2) details of the members of the inventory committee:
- 3) line number;
- 4) asset number;
- 5) asset description;
- 6) serial number;
- 7) acquisition date;
- 8) room number;
- 9) acquisition cost;
- 10) carrying amount;
- 11) remaining useful life in months;
- 12) name of the user;
- 13) reference to the principal asset (asset group);
- 14) remarks.

In the course of the physical inventory of assets:

- the assets listed on the pre-completed inventory sheets shall be physically verified;
- the inventory sheets shall be updated with any amended data (e.g. location/room number, responsible user, etc.);
- the physical condition and operational status of the assets shall be assessed;
- the remaining useful life of non-current assets shall be reviewed and, where necessary, a revision of the useful life shall be proposed;
- where necessary, assets shall be assigned a unique inventory number;
- assets identified during the inventory but not recorded on the inventory sheets shall be added thereto;

- any movement relating to assets identified as surplus or shortage in the course of the inventory shall be traced and appropriately documented.

Upon completion of the inventory, the inventory report shall be reviewed and signed by the members of the inventory committee and approved by the chair of the inventory committee. [entry into force 01.01.2026]

14.10 A scheduled inventory shall be conducted annually, two months before the end of the financial year (annual inventory).

14.11 Extraordinary inventories shall be conducted in the event of theft, destruction or damage to property, termination of an employment contract of the responsible person, or in other cases deemed necessary by decision of the Chief Financial Officer. Prior to termination of the employment contract of the responsible person, the inventory and transfer of assets shall be organised by the person's immediate superior. [entry into force 24.01.2022]

14.12 The head of the structural unit shall be responsible for the proper registration, use, safeguarding, transfer and receipt, inventory and reporting of assets assigned to the structural unit. The procedure for the use of property assigned to a structural unit shall be determined by the head of the structural unit. Each employee of the structural unit is responsible for the university assets placed at his/her disposal. [entry into force 01.01.2026]

14.13 Inventories of assets belonging to library collections shall be conducted in accordance with the dates specified in Annex 2 to the Procedure for Library Collection Inventories, but not less frequently than once every ten years. Extraordinary inventories of the collections shall be conducted as required (e.g. in the event of an accident or theft). Inventories of assets belonging to museum collections shall be conducted at least once every ten years. Inventories of library and museum collections shall be organised by the Director of the Library. [entry into force 01.03.2024].

14.14 An inventory of payables shall be conducted at the end of each quarter by reconciling balance sheet balances with the corresponding sub-ledgers.

An inventory of trade payables shall be conducted by the deadline specified in clause 14.3.7 by the accountant responsible for purchase invoices, who shall prepare and send balance confirmation letters to significant vendors. As a rule, a vendor whose balance on the inventory date exceeds the capitalisation threshold for non-current assets shall be considered a significant vendor. Balance confirmation letters need not be sent to other vendors unless there is reason to suspect discrepancies. A reconciliation report shall be prepared based on the results of the vendor balance inventory and shall include the following:

- 1) details of the vendors;
- 2) amounts payable;
- 3) amounts confirmed in response to balance confirmation letters;
- 4) differences between the university's accounting records and the confirmed balances and the reasons for such differences;
- 5) the date of the inventory.

14.15 An inventory of expenses, revenue, receivables, payables, and advances paid and received within the framework of target-financed projects shall be conducted at least quarterly as at the last day of each quarter. An inventory of project-related contracts shall be conducted by the project accountant responsible for the respective projects.

14.16 The head of the Project Accounting and Reporting Division, or an accountant appointed by the head of the division, shall consolidate the balances of all projects in a summary table, verify the correctness of accrual-based entries based on inventory documentation, and reconcile the summary table with the general ledger balances. The head of the division shall submit the project inventory report to the Chief Accountant.

14.17 Inventory of transactions concluded with related parties shall be conducted at the end of the financial year.

14.18 An inventory of trial balances shall be conducted in the state accounting trial balance information system. Where differences exist between the balances reported by the university and other entities submitting trial balances, the causes shall be identified and adjustments made where necessary. If there are differences of opinion regarding balances and the university determines that its

balance is correct, no adjustment shall be made in the trial balance. Members of the consolidation group shall reconcile their balances on a quarterly basis..

## 15. REPORTING

15.1 The university shall prepare and submit financial statements and declarations to the Tax and Customs Board, Statistics Estonia, the State Shared Service, and other authorities or persons specified in legislation, in accordance with the procedure and within the deadlines established in the Accounting Act and other applicable legislation.

15.2 The university shall prepare semi-annual consolidated financial statements as at 30 June.

15.3 The university shall prepare annual consolidated financial statements as at 31 June. The financial statements and the notes thereto shall be prepared in accordance with the accounting principles set out in the Public Sector Financial Accounting and Reporting Guidelines, the Accounting Act, and the Accounting Board Guidelines. The financial statements shall be prepared in compliance with the Estonian Financial Reporting Standard. The notes to the financial statements shall disclose all material information concerning the university's economic activities.

15.4 Consolidated financial statements shall be prepared together with the consolidated entities. In the consolidated financial statements, subsidiaries shall be consolidated on a line-by-line basis. Associates shall be accounted for using the equity method. All subsidiaries and associates of the university shall apply the university's accounting policies and submit their reports to the university by the deadlines established by the Chief Accountant.

15.5 Trial balances prepared as at the end date of the financial year shall correspond to the accounting data presented in the annual report. A trial balance is submitted electronically to the trial balance information system of the Ministry of Finance.

15.6 At the end of a financial year, the following accounting procedures shall be performed:

- inventories of assets and liabilities shall be conducted and, where necessary, adjusting entries made;
- accrual-based closing entries shall be recorded;
- assets and liabilities denominated in foreign currencies shall be retranslated using the European Central Bank reference rates as at 31 December;
- revenue and expense accounts shall be closed;
- other necessary procedures shall be performed;
- financial statements shall be prepared, comprising the primary statements (balance sheet, statement of financial performance, cash flow statement, and statement of changes in net assets) and notes to the financial statements.