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In force from: 01.01.2022

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 for and the principles of accounting and financial reporting at Tallinn University of Technology (hereinafter "the university"). The purpose of the requirements is to ensure the provision of relevant, objective 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 cases not covered by the Policies and Procedures, the principles laid down in the Accounting Act shall be followed.

1.2 Organisation of accounting

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

1.2.2 The university keeps its accounts independently in compliance with the Accounting Policies and Procedures.

1.2.3 The university uses a centralized accounting system. The Finance Office keeps accounts of all the structural units.

1.2.4 The Chief Financial Officer manages financial operations of the university. [entry into force 24.01.2022]

1.2.5 The chief accountant is in charge of daily accounting activities.

1.3 Financial year

A financial year is 12 months long. A financial year starts 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 consists of the balance sheet of assets and liabilities, revenue and expenses grouped by their business 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 for recording accounting transactions in more detail.

An account code consists of the following segments:

- 1 – account type
- 2 – account class
- 3 – account category
- 4 – account group

5 – account group sub-group

6 – account

7 – sub-account group

8 – sub-account.

2.1.2 The 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) accounts necessary for further information.

2.1.3 The subsidiaries within the group use the university's chart of accounts, which can be supplemented with additional accounts depending on the specific characteristics 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 called dimensions. The dimensions used in the university's business accounts are the following:

- 1) in compliance with the Financial Regulations of the university: structural unit, financing source;
- 2) in compliance with the requirements of the Public Sector Financial Accounting and Reporting Guidelines: transaction partner, field of activity, cash flow and source;
- 3) other: person, number of the public procurement, number of the secondment order, activity, project's field of activity, category.

2.3 Establishment and modification of the chart of accounts

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

3. DOCUMENTING AND RECORDING BUSINESS TRANSACTIONS

3.1 Business transactions are documented and recorded as incurred or within a reasonable period of time following a business transaction such that the submission of reports prescribed by legislation within the specified term is ensured. Transactions are documented and recorded in 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 has three core modules:

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

3.2.2 The business software is used in accordance with the rights granted to each user based on the tasks assigned to the user. Each user has a unique username and password. The user is responsible for all changes made to the database under his name. User rights are set at the request of the user's immediate superior and with the consent of the information asset owner of the module.

3.2.3 Once every six months, the information asset owner of the business software performs an analysis of the compliance of user rights and checks users' access rights. The settings, analysis and checks of user rights are performed and access rights are terminated by the persons appointed by the information asset owner of the software.

3.3 Accounting entry

An accounting entry shall include the following information:

- 1) the date of the business transaction;

- 2) the number of the entry;
- 3) the accounts debited and credited and the corresponding amounts;
- 4) a short description of the business transaction;
- 5) 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 certifying the corresponding business transactions or by summary documents prepared on the basis of source documents.

3.4.2 Source documents must comply with the requirements of the Accounting Act. Their content and format shall, if necessary, allow demonstrating the circumstances and veracity of the occurrence of a business transaction to a competent and unrelated party. Unless otherwise provided by law (e.g. Value-Added Tax Act) or a regulation issued on the basis thereof, a source document shall contain at least the following information:

- 1) time of occurrence;
- 2) description of economic content;
- 3) figures, for example, quantity, price and amount.

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

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

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

- the financing source from where the expenses of the transaction will be covered;
- the activity code for monitoring activity based costing and budgeting;
- the project activity code to monitor project accounting.

3.4.5 The expense receipt, which is the source document, must have passed the round of approvals designated by the head of the structural unit. A round of approvals must include at least two persons, the approver and the authorised signatory. A round of approvals shall also include the authorising officers, if different from the authorised signatories.

3.4.6 An approver can be any university employee who is associated with the expenses incurred and by granting his/her approval assumes liability for carrying out substantive checking of the expenses.

3.4.7 The authorised signatory is responsible for ensuring that:

- 1) the document reflects the business transaction correctly;
- 2) the quantities, prices and other terms recorded in the document correspond to the previously concluded contracts;
- 3) the transaction is legal and expedient;
- 4) the transaction is in line with the budget.

3.4.7 The persons included in the approval round shall approve a business transaction with a digital signature or electronic confirmation in the information system used by the university, which can be retained electronically, whereas it must be possible to identify the person who granted approval during the whole document retention period.

3.4.9 The requirements established with regard to a source document shall apply to a summary document prepared on the basis of the source documents.

3.5 Adjustments

3.5.1 An incorrect accounting entry shall be corrected by account adjustments, which shall specify the reason for the adjustment and reference to the corrected source document and number of the accounting entry.

3.5.2 In justified cases, the dimensions of a source document can be adjusted based on the request of an authorised signatory of the structural unit. In order to make an entry, the corresponding request shall be approved by the chief accountant or a person appointed by the chief accountant. The financial source of calculated and paid salaries cannot be changed afterwards.

3.6 Document flow and retention

3.6.1 Documents shall be confirmed, approved and submitted to the Accounting Division as soon as possible, but no later than the deadlines specified in clause 3.6.2.

3.6.2 Accounting source documents:

Title of the document	Environment for drawing up/processing of documents	Deadline for submission	Submitter/person responsible	Retention
Purchase invoices	purchase invoice management environment	immediately, but no later than 3 working days after receipt of the invoice	authorised signatory	in the digital archive of purchase invoices
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
A decision on reimbursement of expenses related to the use of a personal car for business travel together with a travel log	document management system	no later than the 5th day of the following month	reporting person	in the document management system
Secondment order	secondments management module	before commencement of secondment, but no later than when covering of the costs or payment of advance is required	head of the structural unit	on the intranet
Secondment report	secondments management module	within five working days from return from secondment	secondee	on the intranet
Credit card transactions report	document management system	no later than the 5th day of the following month	cardholder	in the document management system
Application for compensation for glasses	document management system	no later than the 5th day of the following month	reporting person	in the document management system
Sales invoice requests	a digitally signed document by e-mail	as soon as possible, but no later than within 3 working days from the provision of the service/sale of the products	authorised signatory;	in the business software as a document accompanying the sales invoice
Sales invoices for research and other services (excluding educational services)	business software	no later than three working days after submission of the sales invoice submission	sales accountant	in the business software
Sales invoices to students	study information system ÖIS	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

Sales invoices to continuing education course participants	continuing education information system TÖIS	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 TÖIS and business software
Internal invoices	internal invoicing module	no later than the 5th day of the following month	authorised signatory	in the internal invoicing module
Bank statements	internet bank	statements are prepared for each banking day on the working day following the banking day	accountant	in the document management system
Cash receipts report	on paper or 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
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
Stock reports	on paper or 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
Dean's order to award a scholarship	study information system ÖIS	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 ÖIS
Request to award a scholarship outside the study information system ÖIS	document management system	no later than three working days before the date of payment of the scholarship	authorised signatory;	in the document management system
Document certifying recognition of assets	document management system	as soon as possible after receipt of the task	head of the structural unit	in the document management system
Document certifying movement of assets	document management system	as soon as possible after receipt the task	head of the structural unit	in the document management system
Document certifying write-off of assets	document management system	as soon as possible after receipt of the task	head of the structural unit	in the document management system
Document certifying inventory of assets	document management system	by the deadline specified in the inventory order	chairman of the inventory committee	in the document management system
Document certifying adjustments made in the lifetime of non-current assets	document management system	by the deadline specified in the inventory order	chairman of the inventory committee	in the document management system
Additional remuneration order	document management system	no later than the 23rd day of the current month	Human Resources Officer	in the document management system
Payment order	document management system	no later than the 23rd day of the current month	human resources officer	in the document management system

Sick leave certificates	e-Health Insurance Fund	on an ongoing basis		in the e-Health Insurance Fund
Contracts under the law of obligations concluded with natural persons and the accompanying instruments of delivery and receipt	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
Requests for payment of resettlement allowance	document management system	on an ongoing basis	the person appointed by the head of the structural unit	in the document management system
Salary deductions report	business software	no later than the 20th day of the current month	chief clearing and settlement specialist	in the document management system
Applications for basic exemption	intranet	no later than the 23rd day of the current month	employee	on the intranet
Execution documents and other external documentation on which the payroll is based	documents sent by e-mail or post	on an ongoing basis		in the document management system

3.6.3 For national reporting purposes, all the source documents of the month to be reported shall be submitted to the Accounting Division by the 15th day of the following month at the latest. If documents are submitted after the abovementioned date, the Accounting Division is entitled request written statement of the reasons for the delay in supplementing the documents.

3.6.4 All source documents, accounting ledgers and reports shall be preserved in compliance with legislation and the university's list of documents.

3.6.5 Paper documents in archive folders shall be stored in the Finance Office for two years from the end of the financial year when a transaction was recorded in the accounting ledger on the basis of the source document. Thereafter the documents shall be delivered to the university's Archives Division. The Finance Office is responsible for the preservation of the source documents until they are delivered to the university's Archives Division.

4. ACCOUNTING FOR CURRENT ASSETS

4.1 Cash transactions

4.1.1. Cash transactions are recorded in the currency officially applicable in the Republic of Estonia.

4.1.2 Cash settlements are avoided if possible.

4.1.3 A person carrying out cash transactions on behalf of the university is a materially responsible person who is entitled to receive and make payments in cash, obliged to keep proper records thereof and who is liable for it. The liability is laid down in the employee's job description or is imposed only for receipt of cash by a one-time order of the head of the structural unit. The heads of structural units are responsible for the storage conditions and transporting of cash.

4.1.4 As a rule, the university's cash records are kept by an accountant carrying out the duties of a cashier in the Finance Office. In the absence of a cashier, cash transactions shall be performed by another accountant appointed by the chief accountant.

4.1.5 Simplified cash accounting is allowed in units that are involved in the sale of university souvenirs, study materials sold to students, and the provision of low cost services (e.g. photocopying services, etc.) 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 an application for the appointment of a person responsible for cash settlement and, if necessary, the issue of a cash ledger.

4.1.6 Cash payments shall be made by prior agreement and advance notice only from the university's Finance Office. Only cash receipt transactions are allowed in units and payments other than cash payments to the university's treasury or the university's current account are prohibited.

4.1.7 Cash transactions are recorded in the NAV cash journal immediately upon receipt or payment of cash. The numbering of cash orders starts from the beginning of the year in the ascending order.

4.1.8 Incoming and outgoing cash orders shall be prepared for cash transactions. To record cash received, an incoming cash order is used, from which the payer will receive the other half. An incoming cash order shall indicate from whom and on what basis the cash is received. Cash is paid based on an outgoing cash order, whereas the cash recipient shall confirm the receipt of money by his/her signature. If the cash recipient is not a university employee, the number of the recipient's identity document (passport, ID card, driving licence) shall be indicated in the outgoing cash order. It is prohibited to make any corrections to the transaction data in the cash orders.

4.1.9 The cash balance is compared with the general ledger balance daily.

4.1.10 In structural units, cash settlements are made based on cash receipt documents (cash invoices, etc.) that have been previously registered and numbered in the Finance Office or in the electronic cash system used in the structural unit.

Every person responsible for cash settlement must submit a cash receipt report together with copies of cash invoices and/or extracts from the cash system to the Finance Department for each calendar month.

No later than on the last working day of the month of receipt of cash, the cash received during the current month must be taken to the bank or paid to the university's cash account.

4.1.11 If no major disbursements are planned for the calendar month, the accountant carrying out the duties of a cashier shall take the amount exceeding 1,000 euros to the bank.

4.2 Banking transactions

4.2.1 Current accounts opened in the bank are used for depositing funds and making non-cash settlements.

4.2.2 Internet banking is used for bank settlements.

4.2.3 Banking rights are granted (incl. credit cards are opened) by the person appointed by the Rector (as a rule, the chief accountant). Online payments are made by the accountants of the Finance Office, who have been granted banking rights based on the responsibilities assigned to them. Two persons must be involved in bank transfer transactions, one of whom shall enter the payment and confirm it, the other shall grant final approval.

4.2.4 Funds in current accounts shall be broken down by bank, current account and currency.

4.2.5 Foreign currency transactions are recorded in the currency officially applicable in the Republic of Estonia and revalued quarterly by applying the exchange rate of the European Central Bank valid on the last calendar day of the quarter. On an ongoing basis, foreign currency movements are revalued by applying the exchange rate of the European Central Bank valid on the day of the transaction. Exchange gains and losses arising on revaluation of the balance of a current account are recognised in the sub-account 60800000 "Exchange differences".

4.2.6 Bank payments to suppliers and reporting persons are recognised in the accounts immediately after the transfer of the payments. Other banking transactions are recognised in the accounts on the working day following the transaction.

4.2.7 If reliable information is not available for an analytical report of the receipt, the receipt is recognised in the sub-account 20360000 "Unidentified receipts". Unidentified receipts older than one year are taken to revenue in the sub-account 38889000 "Miscellaneous (extraordinary) income"

4.2.8 The book balances are compared to the actual bank balances daily.

4.2.9 University credit cards are only used to make payments in special cases, i.e. only when regular bank transfer payments are not possible (to pay conference fees, pay for social media ads, make small purchases, etc.).

4.2.10 A university credit card shall be issued to a staff member who needs to make the payments referred to in point 4.2.9 often. An application for issuing a credit card shall be submitted to the Finance Office by the head of the structural unit. In addition to the reasons for using the credit card, the application shall include the employee's name, the maximum credit limit and the usage period.

4.2.11 A card is closed when use thereof is no longer necessary, the employee's responsibilities change or the employee's employment is terminated. The head of the structural unit shall submit notification on closing the card to the Finance Office.

4.2.12 Employees using credit cards are required to submit a report on credit card transactions together with the underlying source documents no later than by the 5th day of the month following the month to be reported. The source documents must comply with and be approved in accordance with clause 3 of the Accounting Policies and Procedures.

4.2.13 It is prohibited to use the university credit card for personal expenses. If the card has been used to cover personal expenses, the cardholder must reimburse the sums to the university no later than the end of the month following the month in which the transaction was made. The cardholder must not make the card available to another person and is responsible for the preservation, purposeful and proper use of the card.

4.2.14 Analytical accounting for credit card transactions is carried out in accounts payable using the account category "KREDKAART". A vendor card is opened in the vendor register for each credit card holder using a separate number series created for credit card holders. When the credit card is closed, the corresponding vendor card will also be closed.

4.2.15 In case of violations related to the use of the card, the card will be closed and the head of the structural unit will be notified of the incident.

4.3 Short-term deposits

Short-term deposits are overnight deposits or deposits maturing in less than one year, which have a contracted maturity period and are withdrawable on short notice. The accounts shall be kept separately by deposit and bank. Short-term deposits are included in the balance sheet as monetary assets.

4.4 Trade receivables

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

4.4.2 Detailed accounting for trade receivables is carried out in the accounts receivable.

Only one customer card is opened in the accounts receivable for each company or person, where all the transactions related to the customer are 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 teaching the course. The pre-posted invoices generated in ÖIS and TÖIS are imported to NAV and posted by an accountant.

4.4.4 Research and development and other revenue invoices and compensation claims shall be prepared in NAV by an accountant. An invoice or claim for compensation is prepared based on a sales invoice request prepared by an employee of the structural unit providing the service/selling the goods. The request shall contain information necessary to ensure that the requirements established for sales invoices are fulfilled. The request shall be accompanied by other documentation on the basis of which the invoice is prepared (the instrument of delivery and receipt of services, test report, contract, etc.). In the case of a claim for compensation, copies of the specific source documents relating to the compensation of costs shall be provided in addition to the request.

4.4.5 If the issued invoice contains an error, the service has not been provided in full or not at all, the claim is adjusted with a credit note. A credit note must indicate which invoice is being adjusted. A credit note is recognised in the month in which the adjustment is made or in the same period as the invoice requiring adjustment.

Credit notes for degree level and continuing education services shall be prepared in accordance with the receipt status either in the study information system ÖIS, continuing education information system TÖIS or NAV. A credit note prepared in NAV is 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 are imported into NAV.

Credit notes for other services are prepared in the Accounting Division based on a request approved by the head of the structural unity.

4.4.6 Trade receivables are measured at their amortised cost, which means that the initial cost of a financial liability has to be adjusted, if necessary, with any write-down due to uncollectibility.

Accounts receivable are monitored constantly. Reminders of overdue receivables are sent to debtors on an ongoing basis. Information on unpaid invoices shall be sent to structural units who shall collect debts concurrently with the Accounting Division.

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

4.4.7 Receivables are measured on an individual basis: the collectability of each invoice is assessed separately. Assessment shall be carried out once a year, at the end of the financial year. The collectability of a receivable is estimated by taking into account both information that is 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 and may affect the collectability of the receivable.

A receivable is considered to be a doubtful receivable if the buyer does not respond to reminder letters, has not entered into a payment agreement with the debt collection agency or has failed to make the payments agreed in the payment agreement for several months.

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

Upon receipt of a doubtful receivable, the sub-account 10300900 "Doubtful trade receivables" is debited and the sub-account 60503001 "Receipt of the doubtful receivables for goods and services" of the the statement of financial performance is credited.

A receivable shall be deemed to be uncollectable if the debtor has been declared bankrupt, the debtor cannot be found, the debt collection agency has declared that the collection of the receivable is completely unrealistic, the enforcement proceedings are unsuccessful, the enforcement proceedings are terminated or in other justified cases. Receivables deemed to be uncollectible accounts are written off.

Receipt of a receivable deemed to be uncollectible shall be credited to sub-account 60503001 "Receipt of the doubtful receivables for goods and services" of the statement of financial performance.

The Chief Financial Officer assesses receivables as doubtful and uncollectable 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 are accounted for in accordance with the principles laid down in ASBG 3.

4.5.2 Detailed information on recording the transactions in various receivables and prepayments accounts in account groups 1031-1038 is presented in the user manual of the chart of accounts .

4.5.3 Analytical accounts by responsible person are kept in accounts payable using 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 are recognised as prepaid expenses until implementation of the secondment. After the secondment and when the secondment report has been processed, the advance payments shall be recognised as an expense. The outstanding amount of the advance payments shall be refunded to the university in compliance with the Secondment Rules.

4.5.6 Other prepaid expenses for various services (excluding advance payments for secondments) shall be recorded as accrued expenses monthly in accordance with the period when the service was provided. Expenses are recognised in the accounts immediately when the expense receipt is recorded for the entire period, including prospectively. For the sake of simplification, an expense is immediately recognised as an expense if the amount indicated on the expense receipt is lower than the threshold for capitalizing non-current assets. Analytical accounts of other prepaid expenses are kept by expense receipt.

4.6 Accounting for inventories

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

4.6.2 The university's inventories are accounted for using the FIFO formula.

Inventories are initially measured at cost, which comprises all costs of purchase (excluding VAT) and other direct costs relating to acquisition.

4.6.3 As a rule, the university's inventories are items purchased and awaiting sale. Revenue and expenses from goods purchased for sale are recorded in the account class 38. Other inventories, such as raw material and supplies, are recorded separately from goods purchased for sale and recognised as an expense in the accounts of the account class 55 upon acquisition.

Once a year, as a rule at the time as the annual inventory, the list of inventories is reviewed to identify inventory items, the net realisable value of which may have fallen below their acquisition cost. The head of a structural unit shall consider the need for writing 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 fallen; or
- it has not been possible to sell or use certain inventory items during an extended period of time and there exists doubt whether they can be sold within a reasonable amount of time.

The person responsible for inventories is liable for keeping accurate records of inventories enabling identification of the transactions: for the receipt, recording, storage, sale, delivery and transfer, inventory, preparation of documents and preparation of reports. The aggregated balances of analytical accounts are compared with the general edger balances on a quarterly basis by unit.

4.6.4 Prepayments to suppliers for products and services are recorded in the inventory account group 1089. Prepayments to suppliers are charged to expenses upon receipt of the goods or service based on an invoice issued by the supplier or any other document verifying the receipt of goods or services. Analytical accounts of prepayments are kept by supplier and by invoice in accounts payable.

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

4.7.1 Assets with an acquisition cost of 500 to 5,000 euros, which are intended to be used for more than one year, are classified as low value assets.

Low value assets shall be charged to expenses upon acquisition in accordance with the accounts in the account class 55.

4.7.2 Assets leased out under operating leases with a contract amount equal to or exceeding the threshold of non-current assets and assets received as donations, gifts and other assets received free of charge, the value of which cannot be measured reliably, but is estimated to correspond to the threshold of low value assets or non-current assets, are classified as other off-balance sheet assets.

4.7.3 Low value assets and other off-balance sheet assets are accounted for off the balance sheet. Analytical accounts of low value assets and other off-balance sheet assets are kept, like records of non-current assets, in the NAV non-current assets module, where assets have been divided into the following classes:

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

Recognition, inventory and write-off of low value assets and other off-balance-sheet assets is similar to non-current assets.

5. ACCOUNTING FOR NON-CURRENT ASSETS

5.1 Non-current assets are assets that the university uses for the performance of its functions arising from the Statutes during a period exceeding one year.

5.2 Investments in subsidiaries and associates

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

5.2.2 Long-term investments in foundations and non-profit associations are accounted for only when the university has control over the entity's financial and business policies. When the university has control of an entity, the investment is accounted for as a wholly-held investment. When the university has no control, no investment is recognised in the balance sheet and contributions to the investee's capital are accounted for as expenses.

5.2.3 A subsidiary is an entity controlled by the university.

For the definition of the term "subsidiary" the Policies and Procedures use the approach of ASBG11 that define the aforementioned term through predominant or significant influence irrespective of whether and how large the ownership interest in the share capital of the other entity is. A subsidiary is included in the consolidated financial statements from the date the university gains control to the date the university loses control of it.

Acquisitions of subsidiaries are accounted for using the purchase method or the adjusted purchase method. The date of acquisition is the date at which substantive control over the acquiree is transferred to the acquirer. Subsidiaries are consolidated line-by-line in the consolidated financial statements, whereas intragroup receivables and liabilities, intragroup transactions and unrealised profits and losses resulting from these, are 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 use the approach of ASBG11 that define the aforementioned term through predominant or significant influence irrespective of whether and how large the ownership interest in the share capital of the other entity is.

In the consolidated financial statements, investments in associates are accounted for using the equity method.

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

5.3 Long-term financial investments

Long-term financial investments are 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) are recognised in the account category 151.

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

5.4 Long-term receivables and prepayments

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

For determining the amortised cost of long-term receivables they are initially recognised at the fair value of the consideration receivable and subsequently interest income is recognised on the receivable using the effective interest rate method. 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 by discounting it using the prevailing market rate of interest for a similar instrument.

5.5 Investment property

5.5.1 Investment property is accounted for in accordance with the principles laid down in ASBG 6 and is 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 out to a non-public sector entity to earn rentals or holds for capital appreciation and which is not used in the university's own operating activity. Buildings and premises that are used by a public sector entity are recognised as items of property, plant and equipment.

5.5.3 An investment property is measured initially at its cost that includes any expenditure directly attributable to its acquisition (e.g. notary's fees, stamp duties, legal and advisory fees, and other expenditures without which the transaction would probably not have occurred). Borrowing costs are not included in the cost of investment property and non-recoverable levies and taxes incurred on the acquisition of investment property are recognised as an expense.

5.5.4 In accordance with the Public Sector Financial Accounting and Reporting Guidelines, after initial recognition, investment property is measured at cost less any accumulated depreciation and any impairment losses. Depreciation is charged using the straight-line method. Exceptions include properties without buildings (plots of land), which are not depreciated. Each investment property is assigned a depreciation rate that corresponds to its useful life. Where an investment property consists of significant parts that have different useful lives, the parts are accounted for separately and assigned depreciation rates that correspond to their useful lives. The university's investment properties are depreciated at the rate of 5% per year.

5.5.5 The costs of subsequent day-to-day maintenance and repair of investment properties are recognised as an expense as incurred. When a component of an investment property is replaced, the cost of the new component is added to the carrying amount of the property if it meets the definition of investment property and the recognition criteria and the carrying amount of the replaced component is written off the consolidated balance sheet.

5.5.6 An investment property is derecognised on disposal or when it is permanently withdrawn from use. When the purpose of use of an investment property changes, the property is reclassified to another asset class in the consolidated balance sheet. From the date of reclassification, the asset is accounted for using the accounting policies applied to the class of assets it was transferred to.

5.6 Property, plant, and equipment and intangible assets

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

5.6.2 Property, plant, and equipment and intangible assets (hereinafter "non-current assets") are assets, which have been acquired, obtained free of charge (if the cost of the assets can be measured reliably) or leased under a finance lease agreement and which are used in the university's own operating activities for a period exceeding one year and cost at least 5,000 euros. As an exception, the following items may be recognised as items of property, plant and equipment regardless of cost: land, works of artistic value, books and records in public libraries and other non-depreciable non-current assets, the value of which does not decrease over time.

5.6.3 Non-current assets may be recorded as a set if the set forms a whole with the same useful life and the acquisition cost of the set exceeds the threshold of non-current assets.

If the major components of an item of property, plant and equipment have significantly different useful lives, these components shall be recognised initially as separate items of property, plant and equipment and separate depreciation rates shall be assigned to them depending on their useful lives. Buildings are recognised as components according to the specification provided by the builder. In the absence of a specification, buildings are recorded as 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 can have finite useful life or unlimited useful life. Non-current assets that have finite useful life are depreciated, plant, and equipment that have unlimited useful life are not depreciated. Land, works of art, museum exhibits and other non-depreciable assets are items of non-current assets with an unlimited useful life.

5.6.5 An asset may contain the elements of both property, plant and equipment as well as intangible non-current assets. In this case, the asset will be classified based on what characteristics it meets more. For example, computer software is classified as property, plant and equipment if it is an integral part of a specific hardware.

5.6.6 Analytical accounts of non-current assets are kept in the NAV non-current assets module in the non-current assets class (PV).

Non-current assets are recognised initially based on a purchase document or statement.

The deed of registration of the property is prepared if the user of the property did not participate in the processing of the purchase invoice and/or the purchase invoice does not contain confirmation of receipt of the property.

For each recorded item of non-current assets, records are kept on non-current asset cards, which contain detailed information on the transactions with the item of non-current assets. Non-current asset cards are electronic. Each item of non-current assets is assigned an inventory number that matches the unique inventory number on the non-current asset card. In the case of non-current assets acquired as a set, a separate non-current asset card is opened for each item and a unique inventory number is assigned to each item. A set can be identified by the reference "Main asset" or "Component" on the non-current asset card.

5.6.7 If an item of non-current assets is constructed by own employees, the costs can be capitalized if the expenses associated with it exceed the capitalisation threshold for non-current assets. Costs are capitalized based on an act approved by the head of the structural unit and indicating the following:

- the remuneration paid for the time of construction to employees involved in the construction and installation of the non-current asset and the tax expense calculated thereon;
- the cost of materials used to construct the asset;
- material and service costs directly related to transporting the asset to its operating location.

The act shall be prepared and submitted once a quarter by the 15th day of the month following the quarter.

5.6.8 Costs related to subsequent improvements shall be added to the cost of non-current assets only if they meet the definition of non-current assets and the criteria for recognising assets in the balance sheet and their value corresponds to the threshold for non-current assets. Dismantling costs that are unavoidable related to the construction or renovation of the asset shall be charged to improvement expenses. If an improvement results in the replacement of a significant part of an asset or in any other significant changes, the estimated initial cost of the replaced part and the corresponding accumulated depreciation are derecognised from non-current assets even if it had not been accounted for as a separate component. If the initial cost (and hence the current carrying amount) of the replaceable part is not known, it may be estimated based on the cost of this part today less estimated depreciation.

5.6.9 Large-scale repairs (starting from 10,000 euros) are recorded in a separate account "Capitalized construction works" and their cost does not increase the acquisition cost of the building. The remaining costs are considered repair or maintenance costs. Repairs are derecognised when their carrying amount has reached 0.

5.6.10 The non-current assets acquired through a finance lease are initially measured at cost and are depreciated. Interest payments on lease are expensed.

5.6.11 . Items acquired for library collections are recognised as items of property, plant and equipment in an aggregated set (total amount). The following library collection items are not recognised in the consolidated balance sheet:

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

Accounts in unit and title terms are kept in the library's information system.

The library of Tallinn University of Technology writes library collection items off 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 are written off at cost.

As of the end of the financial year, the library submits a report on the movement of books, publications and other library items, on the basis of which the book value of the books is adjusted.

5.6.12 At the end of each quarter, the total amount of asset cards is compared with the corresponding balances in the general ledger and the accuracy of the balances of prepayments and work in progress is verified. At least once a month, it is checked whether depreciation has been calculated in 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 is, as a rule, depreciated or amortised during their useful lives. Items with an unlimited useful life are not depreciated. Items acquired for decor and design that do not have permanent value and assets transferred to auxiliary museum collections which are replaced after certain periods are depreciated during their useful lives. Non-current assets that have finite useful life are depreciated monthly using the straight-line method.

Depreciation of an asset begins in the month when it is available for use (i.e. when it is in the condition and location intended by the management) and ends in the month prior to its full depreciation or removal from use. If a fully depreciated asset is still in use, its cost and accumulated depreciation continue to be carried in the balance sheet until the asset has been completely removed from use. The head of the structural unit proposes a 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 is calculated based on the average useful lives of the non-current asset groups as follows:

	Useful life (years)	Annual depreciation rate (%)
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 ceases when the asset's residual value is 0.

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

5.7.3 An impairment charge is recognised in case of impairment due to destruction, dismantlement, damage or disassembly, which is recognised as an expense of the reporting period. An act on the impairment charge shall be prepared and approved by the Chief Financial Officer. [entry into force 24.01.2022]

5.7.4 In the case of non-current assets not required to provide public services, the existence of circumstances indicating a possible impairment of assets is assessed at the end of each financial year. When there is indication of impairment, the asset's recoverable amount is estimated and compared to the asset's carrying amount. An impairment loss is recognised in the reporting period in an amount by which an asset's carrying amount exceeds its recoverable amount. Recoverable amount is determined for an individual asset or the smallest group of assets.

At the end of each following financial year it shall be assessed whether there is any indication that the recoverable amount of an asset written down in an earlier period may have increased. If an impairment test indicates that the recoverable amount of an asset or a group of assets has risen above its carrying amount, the previously recognised impairment loss is reversed and the asset's carrying amount is increased to an amount that would have been determined had no impairment loss been

recognised in prior years. A reversal of an impairment loss is recognised in the reporting period by reducing expenses from impairment of non-current assets.

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

5.7.5 In case of full disassembly, dismantlement, destruction, damage, loss, etc., the asset is written off. Non-current assets and low value assets shall be written off based on a write-off document, which shall include the asset name, the inventory number, the date of acquisition, the acquisition cost, the date and reason for write-off and the method and date of destruction. A write-off document must pass the following approval round:

- members of the unit's inventory committee and the head of the structural unit;
- in case of write-off of computers, monitors, network equipment, multimedia and communication equipment, the relevant employee of the IT Services;
- in case of write-off of means of transport, furniture, office equipment, kitchen equipment and sports equipment, the relevant employee of the Real Estate Office;
- the Chief Financial Officer. [entry into force 24.01.2022]

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 the employee is liable for the damage, a claim against the employee in the amount to be compensated is recorded in the accounts.

5.7.7 Assets are transferred in compliance with the principles laid down in the "Principles for the acquisition, encumbrance with limited real right and transfer of assets" applied at the university.

Gain on sale of property, plant and equipment is recorded in the account groups 3810 - 3813.

Non-current assets for deduction of input value added tax of which the university had no right at the time of their acquisition may be sold VAT-free (to prevent double taxation).

6. ACCOUNTING FOR LIABILITIES

6.1.1 Liability is an existing obligation of the university, which arises from the past events and the release from which is expected to reduce the 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 is followed when accounting for liabilities whereby all liabilities arising in the reporting period are included in the balance sheet of the reporting period.

Only such liabilities are recognised on the balance sheet, the settlement amount of which can be measured reliably.

6.1.3 Liabilities are divided on the balance sheet into current liabilities and non-current liabilities based on whether they are expected to be liquidated within a year or in a longer period of time starting from the end of the financial year. Current liabilities are liabilities that are expected to be settled in the ordinary course of business, liabilities that are held primarily for the purpose of trading and liabilities that are due to be settled within 12 months from the end of the financial year. Non-current liabilities are liabilities, which are likely to be realised later than 12 months from the end of the financial year.

6.1.4 Upon initial recognition all financial liabilities are measured at their cost which includes any directly attributable transaction costs. After initial recognition, financial liabilities are measured at their amortised cost.

6.1.5 The amortised cost of current financial liabilities is generally equal to their nominal value. Therefore, current financial liabilities are measured in the amount payable.

6.1.6 Non-current financial liabilities are recognised initially at the fair value of the consideration received (less any transaction costs). Thereafter they are measured at their amortised cost using the effective interest method.

6.1.7 Liabilities denominated in a foreign currency are translated by applying the exchange rate of the European Central Bank valid at the date of the transaction. When a liability is settled in a foreign currency, the amount paid is converted into euros at the rate of the European Central Bank on the day of payment. Exchange gains and losses arising on translation are recognised in the account group 608

or 658, depending on their nature. At the end date of the financial year, liabilities denominated in a foreign currency are translated into euros using the exchange rates of the European Central Bank valid at that date.

6.2 Trade payables

Trade payables are recognised in the account category 201. Detailed accounting records by supplier are kept in NAV accounts payable where only one card is opened for each vendor.

6.3 Staff payables

6.3.1 Staff payables are recognised in the account category 202. Wages earned but not paid to employees, remuneration for leave, payables for travel and economic expenses and other staff payables are recognised as staff payables in the reporting period.

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

6.3.3 Wages are calculated based on an employment contract concluded with the employee, additional remuneration order, documents regarding wage deductions, etc. Remuneration for works and services performed under a contract for services, authorisation agreement, author's contract or any other contract under the law of obligations is calculated based on the contract entered into with the person and the accompanying instrument of delivery and receipt and payment order. Remuneration to professors emeriti, associate professors emeriti and honoray members is 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 and the Human Resources Office employee who enters the source data in the NAV human resources and payroll module are responsible for the accuracy of the source data required for calculating remuneration. All payroll source data (including the financing sources) must be entered in the NAV human resources and payroll module by the employees of the Human Resources Office and all other payroll source documents must be submitted to the Payroll Division no later than the 25th day of the current month.

6.3.5 Records of employees' working time are kept 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 The liability that shall be paid for vacation time earned and expensed in the reporting period but not paid, including the social tax and unemployment insurance premium, are recognised as vacation pay payables. The inventory of vacation pay payables is made as of the end of the first half of the financial year and the end of the financial year and the current carrying amount is adjusted to reality. Advances of vacation pay are recorded in the account 10393000 "Salary and vacation pay advances".

6.3.8 Detailed accounting records of are kept in NAV accounts payable where one card is opened for each reporting person.

6.4 Other payables and advances received

6.4.1 Tax arrears, accrued expenses, grant liabilities, prepayments received for grants and other advances received are recognised as other payables and advances received. Other payables and advances received are recognised in the account category 203.

6.4.2 Current tax liabilities that have not been transferred to the Tax and Customs Board and fines or penalty payments on tax arrears are recognised as taxes payable. Taxes payable are recognised in the account group 2030.

6.4.6 Pursuant to the Value-Added Tax Act, VAT is charged on supplies of goods and services in the course of business activities by the university as a person liable to value added tax.

Upon deduction of input value added tax the university uses the method combining direct calculation and proportional deduction. Financing source based VAT records are kept for each financing source. Financing sources are divided into three groups in terms of VAT calculation:

- 1) the sources whose income is subject to VAT and the input value added tax on expenses is deductible;
- 2) sources whose income is tax-free and input value added tax on expenses is charged to the university;

- 3) sources whose revenue includes both taxable and non-taxable income and input value added tax on expenses is deducted proportionately.

As a rule, proportional deduction of input value added tax is applied upon acquisition of non-current assets of the university.

According to the Value-Added Tax Act, input value added tax must not be deducted from fringe benefits, gifts and goods or services relating to the reception of guests, regardless of the financing source.

The proportion of input value added tax shall be determined taking into account the proportion of taxable supply effected during a calendar year, where the input value added tax can be deducted pursuant to the Value-Added Tax Act, to total supply. The total supply shall include revenue from non-business activities (government grants, grants).

6.4.4 Accruals are recognised in the account group 2032, where accrued expenses during the reporting period for which no invoice is prepared or an invoice has not yet been received are recorded. Accruals include calculated but unpaid scholarships and grants, accrued interest payable on loan liabilities and credit card transactions.

Scholarships shall be accounted for in compliance with the Rector's directive "The basis for awarding and the procedure for payment of scholarships".

6.4.5 Grants payable are recognised in the account group 2035, where a liability to pay/pass on government grants is recorded, for which the period when the grant expenses are recognised has arrived (the university has incurred expenses for which it is entitled to receive a grant), but the grant provider or intermediary has not transferred the money yet.

6.4.6 Other payables are recognised in the account group 2036, which include unexplained receipts, guarantee fees, payables related to government grants and co-financing.

6.4.7 Prepayments received for grants are recognised in the account group 2038, which include funds received for grants, for which the period, in which related revenue or grants related to assets are recognised, has not arrived yet (expenses have not been incurred or other terms or other eligibility conditions have not been met).

6.4.8 Other advances received and deferred income are recognised in the account group 2039, which include prepayments by buyers that are likely to be recognised as revenue within the next 12 months in the period for which the income was received. Deferred income below the capitalisation threshold of non-current assets is recognised as revenue immediately without distribution over future periods.

6.5 Provisions

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

6.5.2 Provisions are recognised initially as current and non-current provisions in the account categories 206 and 256, based on the estimated time of settlement of the obligation.

6.5.3 A provision is recognised based on the management's estimates of the expenditure required to settle the obligation and the time the obligation should be settled.

6.5.4 When it is probable that a provision will be used within more than twelve months after the reporting date, it is measured at its discounted value unless the effect of discounting is immaterial.

6.5.5 Formation of provisions shall be recognised also as an expense (a decrease in provisions as a decrease in expenses).

6.6 Borrowings

6.6.1 All borrowings subject to interest or similar expense arisen as a result of financing activities are included in the balance sheet. Current loans are recognised in the account category 208 and non-current loans are recognised in the account category 258.

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

6.6.3 The classification of a lease agreement into finance or operating lease depends on the substance of the transaction rather than the legal form of the agreement.

A finance lease is a lease that transfers all significant risks and rewards of ownership of an asset to the lessee. All other leases are classified as operating leases. The following criteria refer to situations,

where the main risks and rewards incidental to ownership of the asset are transferred to the lessee, which is why a lease agreement 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 that is expected to be sufficiently lower than its fair value at the date of realising the option and there is sufficient certainty at the inception of the lease that the lessee uses this option;
- the lease term covers a major part (over 75%) of the economic life of the leased asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially (over 90%) all of the fair value of the leased asset;
- the leased asset is of such 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 so that it covers a major part of the asset's economic life.

Pursuant to the Public Sector Financial Accounting and Reporting Guidelines, the university classifies as finance leases situations where the leased assets cannot be easily substituted with another asset.

6.6.4 Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. After initial recognition the derivative financial instruments shall be revalued at the end of the financial year to fair value at that moment. Derivatives with positive fair value are classified as financial assets, derivatives with negative fair value are classified as financial liabilities. Gains or losses arising from a change in the fair value shall be recognised in the income statement 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 is divided into:

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

8.2 Revenue from economic activities

8.2.1. Revenue from economic activities is recognised in the account class 32.

The university's revenue from economic activities includes revenue from the rendering of education services, revenue from research and development, other revenue from educational activities, revenue from rental and leasing, sale of other goods and services.

For detailed accounting of revenue for statistical purposes, a resource has been created for each type of revenue in the business software.

8.2.2 Revenue from the sale of goods and rendering of services is measured at the fair value of consideration received or receivable, taking into account any discounts and rebates allowed. Revenue from the sale of goods is recognised when all significant risks of ownership of the goods 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 rendering of services is recognised when the service has been rendered or, if the service is rendered over an extended period, using the stage of completion method.

8.2.3 Revenue from the rendering of services for a longer period of time shall be recognised by reference to the stage of completion of the service to be rendered, assuming that the outcome of the transaction (i.e. revenue and expenses relating to the transaction) involving the rendering of services can be estimated reliably. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 is recognised as revenue from research and development.

Pursuant to clause 8.2.3 and the principle of matching revenue with expenses, all the financial entries for ongoing long-term R&D contract work are inventoried twice a year (as of 30 June and 31 December) by financing source. An amount recognised as expenses that exceeds the amount recognised as revenue and equal to or above the capitalisation threshold of non-current assets is recognised in the sub-account 32201009 "Allocation of revenue from R&D services", indicating the same amount in the sub-account 10319000 "Other accrued income". When a service is performed over a long period of time, a sales invoice is prepared, as a result of which sales revenue is recognised in the sub-account "Research and development contracts and services provided", a receivable is recorded in the sub-account 10300000 "Trade receivables" and a contra entry is made to the earlier allocation entry.

8.2.5 Revenue from the rendering of education services comprises tuition fees charged from students, participants in continuing education programmes, etc. Revenue is recognised in the same period in which the service is rendered. When part of an education service is rendered in the next financial year, relevant portion of tuition fees received is recognised in the consolidated balance sheet in the sub-account group 2039900. Out of tuition fees of degree level programmes received for the autumn term, 80% shall be included in revenue for the reporting period. The remaining 20% shall be recognised as deferred income and shall be taken to revenue in January of the following financial year. Continuing education service invoices, the amount of which exceeds the capitalisation threshold for non-current assets, are also allocated into periods.

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

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

8.3 Operational funding received

Operational funding received is recognised in the account category 352 in compliance with the chapter on grants in the Accounting Policies and Procedures.

8.4 Government grants received

Government grants received are recognised in the account category 350 in compliance with the chapter on grants in the Accounting Policies and Procedures.

8.5 Other revenue

Other revenue comprises gain or loss on sale of inventories and property, plant and equipment recognised in the account category 381 and fines, late interest, compensations and unusual income recognised in the account category 388.

9. ACCOUNTING FOR OPERATING EXPENSES

9.1.1 Expenses are a reduction in economic benefits during the reporting period through a reduction, exhaustion or depreciation of assets or liabilities as of a result of which the university's net assets

decrease. Expenses are recognised in the same financing source and in the same period in which the associated income. If income associated with certain expenses cannot be directly identified, indirect methods shall be used for the recognition of expenses. Expenditure that cannot be associated with income is recognised at the time when it is incurred.

9.1.2 Only expenses related to the activities of the university, which must be documented, are recognised as expenses. Consideration paid on behalf of another entity is deemed as a pass-through cost. Pass-through cost is recognised in the relevant expense account, which is reduced when the costs are passed on.

The university's operating expenses are divided into:

- 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 calculated for the reporting period, additional remuneration, sickness benefits, bonuses, allowances for own employees, remuneration calculated based on contracts under the law of obligations, licence fees and royalties, vacation pay and other expenses associated with contractors regarded equal to remuneration expenses. Social tax expenses comprise the cost of social tax calculated on remuneration and unemployment insurance premium paid by the employer.

9.2.3 Vacation pay is recognised in the period that the leave is taken and paid for. The vacation pay reserve is calculated as of the reporting date by adjusting the expense of the reporting period and the balance sheet account of the holiday reserve.

9.2.4 As a rule, fringe benefits are monetarily appraisable benefits which are given 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 who works or provides services on the basis of a contract for services, authorisation agreement or any other contract under the law of obligations as well as a natural person who sells goods to an employer during a period longer than six months is also deemed to be an employee. As a rule, the price of a fringe benefit shall be determined on the basis of the market price of the goods or services provided as a fringe benefit. When recognising the costs related to fringe benefits, it must be assessed whether the fringe benefit is a monetarily appraisable benefit given to an employee. A benefit is not fringe benefit if it is not monetarily appraisable.

9.3 Other operating expenses

9.3.1 Other operating expenses are recognised in the account class 55. Expenses are divided into different account categories and groups according to the accounts laid down in the chart of accounts.

9.3.2 Data and communication expenditure (telecommunication services) is covered from the budget of the structural unit as follows:

9.3.2.1 the telecommunications expenditure limit per month, broken down by type of post, is the following: [entry into force 01.01.2022]

Full professor, dean, area director, leading researcher	100 euros
Professor (all professor posts, excluding full professor), associate professor, senior researcher, head of a department, head of an administrative-support unit	75 euros
Lecturer (all lecturer posts), researcher (all researcher posts, excluding leading researcher and senior researcher), assistant, chief officer	50 euros
Specialist, skilled and auxiliary worker, office assistant and all other posts not mentioned above.	30 euros

9.3.2.2 the telecommunications expenditure limit covers the cost of the employee's data and communication services (except for special tariff calls and messages), mobile parking (incl. Barking) and mobile ID and VAT related to the above-mentioned services;

9.3.2.3 the expenses exceeding the telecommunications expenditure limit will be deducted from the employee's salary. The head of a structural unit may exempt an employee from compensation of expenditure overruns if the expenses are incurred in connection with secondment or for other good reason. The corresponding reason shall be indicated on the purchase invoice of the service in the month the expense was incurred;

9.3.2.4 upon receipt of the university's telephone number, an employee may enter into a private invoice service agreement with the company providing telecommunications services to the university and take the necessary steps to use mobile ID;

9.3.2.5 a university employee has the right to buy a mobile phone for the performance of his/her official duties, from the cost of which the university reimburses 200 euros once every two years.

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 who incurs the representation and entertainment expenses shall add information on the date, place, purpose, organizers and participants of the event to the source document. As a rule, a list of participants is prepared, listing separately the university staff (because their reception expenses are usually deemed to be a fringe benefit). Expenses for accommodation and transportation are not considered to be representation and entertainment expenses if these expenses are related to the university's core activities and a written reasoned statement has been provided in this regard. Expenditure invoiced to a third party (for organising a training or conference, etc.) is also not considered to be representation and entertainment expenses. Renting of premises for customer events or conducting meetings is not considered to be entertainment expenses and this is not a taxable fringe benefit.

9.3.4 Taxable and tax-exempt gift expenses 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 who incurred the expenses shall add a reference to the recipient of the gift to the expense receipt.

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

Secondment of the Rector and persons working under an employment contract, reporting on secondments and the procedure for reimbursement of secondment expenses are governed at the university by the "Secondment Rules".

9.3.6 Reimbursement of expenses related to the use of a personal car for fulfilling official duties shall be calculated in compliance with the corresponding national legislation and the "Procedure for Reimbursement of Expenses Related to the Use of a Personal Car for Business Travel" applicable at the university. Reimbursement of expenses related to the use of a personal car for fulfilling official duties is paid only to members of the university's management board and employees working under an employment contract.

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 procedures governing occupational health and safety applicable at the university and other internal regulations of university units. Occupational health expenses reimbursed in accordance with legislation, on which no tax expense is incurred, are recognised in the account group 5522.

9.3.7.1 Employees, who work at a display, are partially reimbursed for the cost of glasses or any other corrective visual aids if those costs are necessary due to damage caused to the employee's health. Reimbursement of the cost of glasses or any other corrective visual aids shall be approved by the university's chief working environment specialist.

9.3.7.2 Vaccination costs of employees, who come into contact with biological hazards at work, shall be covered from the budgets of structural units:

- 1) reimbursement of the cost of flu vaccination is allowed for persons directly involved in customer service (lecturers, teaching assistants, employees of the administrative and support units who have close contacts with customers, etc.);
- 2) reimbursement of the cost of tick vaccination is allowed for persons who, due to the nature of their work and for execution of contracts, must visit an area where there is a higher risk of infection with tick-borne encephalitis;
- 3) reimbursement of the cost of vaccination is allowed when an employee is sent to a country where it is necessary to vaccinate the employee in advance in order to prevent possible damage to health. Reimbursement of vaccination costs shall be approved by the university's chief working environment specialist.

9.3.8 As a rule, clothes suitable for the nature of the work and designed to provide for the health or safety of workers are considered to be special work or protective clothing. The principles of purchasing special work or protective clothing for students and employees whose work requires personal protective equipment and use of the personal protective equipment are laid down in the "Occupational Health and Safety Management Regulations" applicable at the university.

If it is mandatory to wear a uniform with the university logo in a structural unit or when representing the university at advertising events, fairs and conferences and it is ensured that the employee uses the special work clothing only for the purposes of performing his/her duties, it is not a taxable expense. The authorised signatory shall confirm that the use of the clothing is mandatory and indicate the time and place of the use of the clothing on the expense receipt.

Non-taxable expenses related to special work or protective clothing are recognised in the account group 5532.

9.3.9 Only documented expenses may be reimbursed to third persons, with whom the the university does not have any employment relationship but who are staying at the university or represent the interests of the university outside the university. The employee approving the expense receipt of the unit covering the the expenses of third parties shall attach to the underlying source document an explanation on how and why the expenses reimbursed to a third person have been incurred in the university's interest and associated with the university's core activities. Taxation of expenses reimbursed to third persons shall be based on the Income Tax Act and the expenses are recognised in the accounts 55404000 and 55404010.

The university may reimburse the expenses related to the provision of a service to a person with whom the university has entered into a contract for the provision of the service (an authorisation agreement or a contract for services) if reimbursement of the expenses related to the service has been agreed in the contract and the expenses are certified. The employee of the unit covering the expenses shall attach the related contract or a add a reference to it from the university's register of documents to the expense receipt.

If the travel expenses reimbursed to a third person include fuel cost, the following requirements must be met:

- the expense receipt is a fuel cheque dated, as a rule, in the period from 3 days before or after the reimbursable travel (in case of another date, an explanation must be added);
- an expense receipt must be accompanied by a travel report (indicating the date of the travel, the kilometres travelled and the agreed procedure of calculating the expenses together with the amount payable).

9.4 Grants and scholarships provided

Grants and scholarships are recognised in the account class 41 in compliance with the chapter of grants in the Accounting Policies and Procedures.

9.5 Pass-through grants and membership fees

Pass-through grants and membership fees are recognised in the account class 45 in compliance with the chapter of grants in the Accounting Policies and Procedures.

9.6 Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are recognised in the same accounts in the account class 61. The principles of accounting applied at the university are laid down in the chapter "Property, plant, and equipment and intangible assets" of the Accounting Policies and Procedures.

9.7 Other operating expenses

Other operating expenses are recognised in the account class 60 as follows:

- taxes (excluding taxes on labour costs), penalty payments and levies in the account category 601;
- doubtful receivables in the account category 605;
- translation differences (excluding financial income and expenses), impairment loss, etc. in the account category 608.

10. ACCOUNTING FOR FINANCE INCOME AND COSTS

Finance income and costs are recognised in the account class 65 as follows:

- interest expenses in the account category 650;
- investments in associates are accounted for using the equity method and profit or loss on sale of shares in subsidiaries or associates in the 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 giving goods or services in exchange, and resources transferred (grants provided or passed on) through non-exchange transactions, i.e. without directly receiving goods or services in exchange. Grants are accounted for in accordance with the principles outlined in the Public Sector Financial Accounting and Reporting Guidelines.

Grants are classified as follows: social benefits, government grants and operational funding grants.

11.2 Social benefits

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

11.2.2 Scholarships and grants for students are calculated and paid in accordance with the data obtained from the study information system.

11.2.3 Personalized and taxable scholarships not included in the study information system shall be accounted for, declared and paid by the Payroll Division based on the request of the unit who bears the costs.

Other scholarships not included in the study information system (ERASMUS scholarships, etc.) are accounted for and paid by the Accounting Division based on the request of the unit who bears the costs.

11.2.4 Scholarships and grants are recognised as follows:

- prepaid scholarships and grants to be acquired in future, are recognised in the account 103860;
- scholarship and grant liabilities expensed but not paid are recognised in the account 203290;
- scholarship and grant expenses are recognised in the account group 4134.

11.3 Government grants

11.3.1 Government grants are grants received and provided on a project basis that have a specified goal along with milestones for monitoring the achievement of the goal, a timeframe, and a monetary budget. The grant provider or intermediary requires from the the beneficiary detailed reporting on the project and any surplus funds have to be returned to the provider of the grant 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 special type of domestic grants - grants that are supplemental to international grants. If the grant is co-financed by another foreign entity or international organization under the agreement, it is recorded as an international grant and not as a co-financing.

Domestic co-financing is recognised in income or expenditure separately from other domestic government grants.

11.3.3 A grant is recognised initially when the cash has been transferred or received or on the date when the receivables, payables, revenue and expenses associated with the grant are recognised.

11.3.4 A grant is recognised as revenue in the period in which the operating costs are incurred or the non-current asset is acquired unless the conditions of the grant involve the risk that the grant may be reclaimed or may not be received. Government grant revenue is recognised by taking into account the terms of financing, i.e. the completed project activities, eligible costs and the percentage of the grant amount.

11.3.5 When a grant provider or intermediary provides a grant using simplified reimbursement of expenditures (standardised unit costs) without requiring expense documents, grant revenue is recognised in the period in which the grant is provided.

11.3.6 When a grant has been received but significant conditions attaching to it have not been met, the grant is recognised as an advance received. When the conditions have been met (activities have been carried out and eligible expenditures have been incurred), the grant is recognised as revenue and advance is reduced.

11.3.7 When expenditures have been incurred, but the grant has not been received to cover the expenses and the transfer will be made upon approval of the project report by the financier, the grant is recognised as revenue and a receivable.

11.3.8 Government grants are also classified into grants related to income and grants related to assets.

11.3.8.1 Grants related to income (grants for covering operating expenses) are recognised by adhering to the principle of matching revenue with expenses. Grants related to income are recognised as revenue in proportion to related expenses. Grants related to income are recognised using the gross method, i.e. grants received and the expenses for which they are intended to compensate are recognised in both income and expenses.

11.3.8.2 The main condition for grants related to assets is that the university as the grant recipient has to purchase, build or otherwise acquire a certain non-current asset. Grants related to assets are recognised as income in the period in which the non-current asset is acquired.

For accounting purposes, the date of receipt of a grant is the date on which the non-current asset is actually acquired (in the case of work that is capitalised, the date on which the work that is capitalised is completed). The cost of an asset acquired with a grant is recognised as an item of property, plant and equipment or an intangible asset based on the nature of the asset.

11.3.9 On recognising grants in the consolidated statement of financial performance, the university differentiates between grants received and pass-through grants. Pass-through grants are grants received for passing on to another party, not for covering the university's own operating expenses or acquiring assets. When the university acts as a grant intermediary, income from grants received for passing on equals expenses from grants passed on.

11.3.10 Non-monetary grants are classified as follows:

- grants received through three-party transactions where the grant provider or intermediary transfers cash directly to the supplier of goods or services from whom the university as the grant recipient receives the goods or services;
- 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 are measured at the fair value of the goods and services received.

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

11.3.11 When it appears that some conditions attaching to the grant have not been met and the university as the grant intermediary or recipient is liable to the grant provider for the recipient's compliance with the conditions attaching to the grant and the use of the funds for their designated purpose, the university recognises at the date the breach of contract is identified a receivable from the grant recipient and/or a liability to the grant provider, and reduces revenue from grants received and/or expenses from grants provided.

11.3.12 Government grants are accounted for:

- in the account group sub-group 10355 short-term grant receivables, when the requirements for receiving the grant have been met, the university has incurred the expenses and receipt of the government grant is deemed certain;
- in the account group sub-group 10365 grant and co-financing repayments receivable (recoveries), which have been unduly paid to the partner or are recoverable due to any other infringement or refundable for any other reason;
- in the account group sub-group 10385 prepaid grants to partners, when the grant has been transferred but for which the period, in which related expenses are recognised, has not arrived yet (the expenses have not been incurred by the recipient or documents certifying that the recipient has incurred the expenses and/or that other eligibility conditions have been met have not been received);
- in the account group sub-group 20355, where a liability to pass on government grants is recorded, for which the period when the grant expenses are recognised, has arrived (the partner has incurred expenses for which it is entitled to receive a grant), but the university has not transferred the money yet;
- in the account group sub-group 20365 repayment of grants and co-financing when the university as the intermediary or recipient of the grant or co-financing has not used the funds for their designated purpose or the financier/implementing entity discovered any other infringement;
- in the account group sub-group 20385 funds received for grants, for which the period, in which related revenue or grants related to assets are recognised, has not arrived yet (expenses have not been incurred or other eligibility conditions have not been met);
- in the account group 3500 grants related to income;
- in the account group 3502 grants related to assets ;
- in the account group 4500 grants related to partner's income;
- in the account group 4502 grants related to partner's assets ;
- government grant liabilities and receivables as contingent liabilities and receivables off the balance sheet in the accounts 911010 and 912010 annually as at the end of the year.

11.3.13 Analytical accounts of government grants are kept in the NAV project accounting module.

11.4 Operational funding grants

11.4.1 Operational funding grants are funding provided based on the functions and responsibilities outlined in the statutes and the goals outlined in the development documents of the recipient. These comprise, as a rule, funding from the state budget: operational funding for education activities, baseline funding, institutional research funding, etc. The operational funding received comprises also other funding from the private and public sector. The operational funding grants are recognised as accounted for on a cash basis when received.

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 the account category 452.

12. INTERNAL TURNOVER

12.1 The following is 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 self-financing of projects;
- provision transfers to cover ineligible project costs, etc.

12.2 Transactions involving internal turnover are performed based on:

- internal invoices processed in the university's internal invoicing module;
- applications;
- the university's internal regulations;
- project regulations, etc.

12.3 Transactions involving internal turnover are recognised in off-balance-sheet accounts:

- 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:

- 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 Council, the Rector, Vice-Rectors, area directors) 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 The remuneration and significant benefits provided to members of the executive and senior management are disclosed in the financial statements. In accordance with the Public Sector Financial Accounting and Reporting Guidelines, information on other related party transactions is disclosed only where the transactions do not meet general legal requirements or the university's internal rules or have not been conducted on market terms.

13.4 Members of the executive and senior management submit a declaration on the foundations, non-profit associations and companies under their control or significant influence or under the control or significant influence of their close family members via the university's internal portal within two months following the financial year.

13.5 The Accounting Division shall identify the financial transactions made with related parties during the financial year and prepare notes to the consolidated financial statements on the basis thereof. Unless otherwise stated (e.g. a comment in the approval round of a purchase or sales invoice), the Accounting Division shall proceed based on the knowledge that the transactions meet legal requirements. Transactions that do not meet legal requirements are recognised in a note to the consolidated financial statements.

14. INVENTORY

14.1 Inventories are performed to establish real balance and material value of assets and liabilities. Inventories shall be carried out during a period which ensures the preparation and submission of reports by the established deadline, but not less than once a year (annual inventory). The documentation to certify the completion of inventory includes balance confirmation letters, bank account statements, inventory reports or other documents confirming that assets and liabilities have been recorded correctly.

14.2 In order to prepare quarterly, semi-annual and annual reports, inventories of the balances of the university's assets and liabilities shall be conducted pursuant to the procedure and by the deadlines established by the chief accountant.

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

	Assets/liabilities subject to inventory	Inventory frequency and scope
14.3.1	Cash and cash equivalents	Daily reconciliation of balances, bank confirmation letters at the end of the year, verification of the cash register 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, clarification and elimination 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, revaluation to fair value, quarterly accrued interest calculation, 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 and an estimate as to any 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 two months before the end of the financial year and an estimate as to the correctness of the remaining useful life and any impairment of the assets or reversal of earlier 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 based on trial balance information system requests
14.3.9	Target-financed projects	Quarterly inventory for the accrual-based recognition of projects as at the last day of the quarter

14.4 Inventory of the cash register of the Accounting Division shall be carried out by a two-member committee consisting of accountants; the accountant performing the cashiers' duties shall participate in the inventory count as an observer. A document (inventory sheet) shall be drawn up on the results of the inventory count, which shall include the following data:

- 1) the date of the inventory count;
- 2) the names and positions of the members of the committee;
- 3) the number of the last payin and payout order;
- 4) the cash balance in numbers and words;
- 5) the cash balance according to the cash balance on the books and differences, if any;
- 6) signatures of the members of the committee and the responsible person.

14.5 Daily the bank account statements are reconciled with bank account balances. As at the end of the year all the financial institutions with whom cash settlements have been performed during the financial year are asked to confirm balances.

14.6 Inventory of financial investments is carried out at the end of the financial year. The fair value of investments is measured. Short-term and long-term financial investments are classified as at the end of the financial year. At the end date of the financial year, investments denominated in a foreign currency are translated based on the exchange rates of the European Central Bank valid at that date.

14.7 Inventory of receivables is carried out at the end of each quarter by reconciliation of balance sheet balances with sub-ledgers. Inventory of receivables is carried out by an accountant responsible for the university's receivables, who shall prepare and send balance confirmation letters to significant debtors

at the date specified in clause 14.3.3. As a rule, a debtor, whose balance on the day of the inventory is higher than the capitalisation threshold for non-current assets, is considered significant debtor. It is not mandatory to send balance confirmation letters to other debtors unless there is a suspicion there are differences in balances.

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

- 1) data on the debtors;
- 2) amounts of the receivables;
- 3) amounts of the receivables indicated in responses to balance confirmation letters;
- 4) differences between the university's accounts and the confirmed data and the reasons for the differences;
- 5) the date of the inventory.

14.8 Inventory count of inventories shall be carried out by a committee consisting of at least two members and formed by the head of the structural unit; the person responsible for inventories shall participate in the inventory count as an observer.

A document (inventory report) shall be drawn up on the results of the inventory count, which shall include the following data:

- 1) date of the inventory count;
- 2) names and positions of the members of the committee;
- 3) name of the inventory item and its price at cost;
- 4) quantity of the inventories counted;
- 5) differences with the accounts, if any;
- 6) signatures of the members of the committee and the responsible person.

In case of discrepancies and indication of impairment, reports are prepared to document the shortages, overages and impairments. A letter of explanation by the responsible person on any overages and shortages together with a written decision of the head of the structural unit on recovery of the shortage is enclosed to the final report. On the basis of the inventory sheet, the accountant responsible for the inventory count shall prepare a document indicating the results of the inventory counts and the discovered shortages and overages. Adjustments are made to the accounting data based on the reports

14.9 The scope of and reason for inventory count of the university's property, plant and equipment, low value assets and off-balance sheet assets, the members of the inventory committee and the deadline for submitting signed inventory reports shall be laid down by an order of the Chief Financial Officer. The head of a structural unit makes a proposal for appointment of the members of a the inventory committee of the unit. The mandate of an inventory committee is one year. The person responsible for the assets subject to inventory must not be a member of the inventory committee. [entry into force 24.01.2022]

The chairman of the inventory committee is responsible for convening the committee and for carrying out the inventory properly.

In order to carry out an inventory count, an asset accountant shall submit pre-filled inventory forms, which shall include the following:

- 1) code of the structural unit;
- 2) data of the members of the inventory committee:
- 3) line number;
- 4) inventory number;
- 5) asset name;
- 6) serial number;
- 7) date of acquisition;
- 8) room number;
- 9) acquisition cost;
- 10) carrying amount;
- 11) remaining useful life in months;
- 12) name of the user;

13) reference to the main asset (collection of assets);

14) comments.

In the course of inventory of assets:

- the assets listed in the pre-filled inventory-form shall be counted,
- the inventory form is supplemented with data that need to be changed (e.g. room number, name of the user, etc.);
- the physical and functional service life of the assets is estimated;
- the remaining useful life of non-current assets is estimated and, if necessary, a change is proposed in the useful life;
- if necessary, an asset is supplied with a unique inventory number;
- the inventory form is supplemented with assets not listed therein;
- the movement of the assets found and missing shall be identified,

Upon completion of the inventory, the inventory form shall be signed by the members of the committee and the head of the structural unit.

14.10 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 entered into with the responsible person or in other cases necessary based on the decision of the Chief Financial Officer. Prior to termination of the employment contract with 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 As a rule, the head of the structural unit is responsible for registration, use, storage, delivery and receipt, inventory of and reporting on assets of the structural unit. The head of a structural unit may also appoint an employee of his or her structural unit as a responsible person. The procedure for the use of property placed at the disposal of 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 at his/her disposal.

14.13 Inventories of assets belonging to library collections are carried out at least once every five years. Inventory of the library's collections is organized by the Director of the Library.

14.14 Inventory of payables is carried out at the end of each quarter by reconciliation of balance sheet balances with sub-ledgers.

Inventory of trade payables shall be carried out by the deadline specified in clause 14.3.7 by an accountant responsible for the university's purchase invoices, who shall prepare and send balance confirmation letters to significant vendors. As a rule, a vendor, whose balance on the day of the inventory is higher than the capitalisation threshold for non-current assets, is considered significant vendor. It is not mandatory to send balance confirmation letters to other vendors unless there is a suspicion there are differences in balances.

A reconciliation report shall be prepared based on the results of the inventory of vendors' balances, which shall include the following:

- 1) data on the vendors;
- 2) amounts payable;
- 3) amounts payable indicated in responses to balance confirmation letters;
- 4) differences between the university's accounts and the confirmed data and the reasons for the differences;
- 5) the date of the inventory.

14.15 An inventory of the expenses, revenue, receivables, payables and advances paid and received within the framework of target-financed projects shall be conducted at least once a quarter as at the last date of the quarter. An inventory of contracts is conducted by the project accountant by projects under his/her responsibility.

14.16 The head of the Project Accounting and Reporting Division or an accountant appointed by the head of the Project Accounting and Reporting Division shall consolidate the balances of all projects in a summary table, check the correctness of accrual-based entries regarding the projects based on

inventory files and correspondence of the summary table with general ledger entries. 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 Inventory of trial balances is conducted in the trial balance information system of state accounting. If there are differences between the balances of the university and other submitters of trial balances, the causes shall be identified and adjustments are made. If there are dissenting opinions regarding the balances and the university is sure that its balance is correct, no adjustments are made in the trial balance. Members of the consolidation group shall reconcile their balances by quarter.

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 Centre and other agencies and persons laid down in legislation pursuant to the procedure and by the deadlines set out in the Accounting Act and other legislation.

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

15.3 The university shall prepare annual consolidated financial statements as of 31 June. The financial statements and notes thereto shall be prepared in compliance with the accounting policies laid down in the Public Sector Financial Accounting and Reporting Guidelines, the Accounting Act and the Accounting Board Guides. The financial statements shall be prepared in compliance with the Estonian financial reporting standard. The notes to financial statements shall set out all material information on the university's economic activities.

15.4 Consolidated financial statements shall be prepared together with the consolidated entities. In the consolidated financial statements, subsidiaries are consolidated line-by-line. In the consolidated financial statements, associates are accounted for using the equity method. All subsidiaries and associates of the university must follow the university's accounting principles and submit their reports to the university by the deadlines laid down by the university's 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 to the trial balance information system of the Ministry of Finance electronically.

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

- inventories of assets and liabilities and, if necessary, adjusting entries are made;
- accrual based closing entries;
- revaluation of assets and liabilities based on the reference rates of the European Central Bank on 31 December;
- closing of revenue and expenditure accounts;
- other necessary operations;
- financial statements shall be prepared, which shall comprise the main statements (balance sheet, income statement, cash flow statement and statement of changes in net assets) and notes to the financial statements.