ACCOUNTING AND AUDITING BOARD OF ETHIOPIA

Directive to provide the Criteria for Identifying Reporting Entities and Registration Directive No. 804/2013



July 2021

Addis Ababa

INTRODUCTION

The Accounting and Auditing Board of Ethiopia is vested with multiple powers and duties by Proclamation No. 847/2014 among which are to set criteria to distinguish and register reporting entities as either public interest entities or small and medium enterprises. Accordingly, the Board considering the type or nature of business, size of resource or number of employees set criteria that distinguish public interest entities and small and medium enterprises. In addition, this Directive provides the time when such reporting entities shall submit and register their audited financial statements prepared in accordance with financial reporting standards stipulated on the proclamation, as well as the accountability for failing to submit such reports within the period prescribed.

Objective

The main objective of this Directive is, in accordance with the provisions of the proclamation, to set criteria to classify reporting entities as public interest entities and small and medium enterprises and to prescribe when to submit their audited financial statements which is prepared according to financial reporting standards to the Board, as well as the accountability for failing to properly carry out such responsibilities.

Accordingly, this Directive is issued by the Accounting and Auditing Board of Ethiopia in accordance with Article 53(2) of the Financial Reporting Proclamation No.847/2014.

PART ONE

GENERAL

1. ShortTitle

This Directive may be cited as ' Directive to provide the Criteria for Identifying Reporting Entities and Registration Directive No. 804/2013."

2. Definitions

Unless the context otherwise requires in this Directive:

1. **"Board"** means the Accounting and Auditing Board of Ethiopia established under Council of Ministers Regulations No. 332/2014.

2. **"Proclamation"** means the Financial Reporting Proclamation No. 847/2014;

3. **"Regulations"** means the Establishment and Determination of the Procedure of the Accounting and Auditing Board of Ethiopia Council of Ministers Regulations No. 332/2014.

4. **"Numberof Employees"** means number of employees employed for specific period or permanently by a reporting entity in each month of the financial year though not working for the whole month the average number of employees is taken by calculating the total number of employees in every month divided by the number of months;

5. **"Total Asset"** means the total asset indicated in the asset and liability statement of the Reporting Entity.

6. **"Registration Certificate of ReportingEntities"** means a registration certificate to be issued to reporting entities by the Board which shows that they are Public Interest Entities or Small and Medium Enterprises.

7. The definition under Article 2 of the Proclamation shall also apply to this Directive.
8. Any expression in the masculine shall also include feminine.

3. SCOPE OF APPLICATION

This Directive shall apply on all Reporting Entities established under Ethiopian law or operating in Ethiopia.

PART TWO

Criteria for Classification of Reporting Entities and Reeistration

4. Reportine Entities

Reporting entities which meet the criteria listed under the following articles shall be considered as public interest entities or small and medium enterprises.

5. Criteria for Classifyine Public Interest Reportine Entities

1. Based on the nature of the Business they provide the following are classified as Public Interest Reporting Entities:

    a) any company which places or intending to place the securities it issues in regulated capital market;
    b) banks, insurances, micro finance institutions capital goods finance companies and other finance institutions;
    c) a public enterprise fully or partially owned by the Government;
    d) share Company;
    e) an institution regulated by the relevant government organ which administers pension or provident fund and other institution performs similar activities
    f) union of cooperatives
    g) regulated consumer associations;
    h) organization of civil societies and charitable organization;
    i) members of the Ethiopian Commodity Exchange.

2. Based on the size and number of employees a reporting entity which meets at least two of the following criteria is classified as public interest reporting entities.

    a) its annual revenue is Birr 300,000,000 (three hundred million) or over;

b) its total asset is Birr 200,000 000 (two hundred million) or over;

c) its total liability is Birr 200,000,000 (two hundred million) or over;

d) its number of employees is 200 (two hundred) or over;

3. For purposes of sub article 2 of this Article and article 6 of this directive, if the fiscal year of the reporting entity is less than 12 (twelve) months the revenue generated during the month(s) it has operated shall be converted into a year.

6. Criteria to Classify Small and Medium Enterprises

1. A Reporting Entity which meets at least two of the following criteria is Small and Medium Enterprise;

a) its annual revenue is over Birr 20,000,000 (twenty million) and less than Birr 300,000,000 (three hundred million);

b) its total asset is over Birr 20,000 000 (twenty million) and less than Birr 200 000 000 (two hundred million);

c) its total liability is over Birr 20,000 000 (twenty million) and less than Birr 200,000,000 (two hundred million);

d) its number of employees is over 20 (twenty) and less than 200 (two hundred).

2. Notwithstanding the provisions of Article 5 of this directive any private limited company regardless of the criteria listed under sub articles 1 of this article is small and medium enterprise.

7. Micro Enterprises

A partnership or sole proprietorship which does not meet the criteria under Article 5 and 6 of this Directive is a micro enterprise.

The Federal Democratic Republic of Ethiopia Auditing Accounting and Board of Ethiopia

PART THREE

Obligations of Reporting Entities

8. Obligations of Reporting Entities

1. Any reporting entity shall submit to the Board its annual audited financial statements prepared in accordance with the following upon payment of the service fee:
   a) Public Interest Entities m accordance with the international Financial Reporting Standards;
   b) Small and Medium Enterprises m accordance with the International Financial Reporting Standards applicable for Small and Medium Enterprises;
   c) organization of civil societies and charitable organization in accordance with the International Public Sector Accounting Standards.
2. The audited financial statement of any Reporting Entity shall be prepared in accordance with the fmancial reporting standards provided under this Article and audit standards issued or adopted by the Board and shall first be submitted to the Board; the report to be submitted to public bodies authorized by other laws shall be the original copy of the one submitted to the Board.
3. The annual financial statement to be submitted to the Board by reporting entities shall be audited by external auditor.
4. The reporting entities specified under this article shall submit their audited financial statement within four months from the end of their fiscal year using the reporting method prescribed by the Board.
5. A reporting entity which failed to submit the report within the time specified under sub article 4 of this Article shall be liable to pay a penalty of Birr 200 (two hundred) for each day of delay· and the Director of the reporting entity shall pay a penalty of Birr 100 (one hundred) for each day of delay. However, the penalty shall only continue to apply for three months after which they will be criminally liable in accordance with Article 44 of the Proclamation.

6. If a reporting entity not registered with the Board, fails to register within three months from the date of issuance of this Directive shall be liable to pay a penalty of Birr 200 (two hundred) for each day of delay and the Director of the Reporting Entity shall pay a penalty of Birr 100 (one hundred) for each day of delay. However, the penalty shall only continue to apply for three months after which they will be criminally liable in accordance with Article 44 of the Proclamation.

7. If a reporting entity established after the issuance of this Directive, fails to register within three months from the date of commencement of the business shall be liable to pay a penalty of Birr 200 (two hundred) for each day of delay and the Director of the reporting entity shall pay a penalty of Birr 100 (one hundred) for each day of delay. However, the penalty shall only continue to apply for three months after which they will be criminally liable in accordance with Article 44 of the Proclamation.

8. if any reporting entity intends to prepare its annual financial statement by using external professional shall conclude a legal contract with the accounting or audit firm that registered by the Board. If it fails to do so the financial statement or the audit report shall not be acceptable.

PART FOUR

Miscellaneous Provisions

9. Inapplicable Laws

Any Directive or working procedure which is not consistent with this Directive shall not be applicable on matters provided by this Directive.

10. Effective Date

This Directive shall take effect upon being approved by Board of Directors of the Accounting and Auditing Board of Ethiopia.

Eyob Tekalign (PHD)
State Minister

Done at Addis Ababa, July 15, 2021.

Eyob Tekalign (PhD)

Chairperson of the Board of Directors of the Accounting and Auditing Board of Ethiopia

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