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Structure and Elements of the Uniform System of Accounts (USoA)

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USoA – supplementary activities

The process of practical introduction of regulation of accounting shall include three major steps:

- development and implementation of a Uniform Systems of Accounts (USOA),
- development and adoption of rules for retaining the Regulatory Records .
- the sustainability of the process of regulation of accounting shall be guaranteed by the development and implementation of regulatory audit policies and procedures and conducting recurrent regulatory audits.



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USoA –Development & implementation

The process of development and implementation of USOA shall include : Definition of the objectives of USOA; Development of regulatory reporting requirements; Design of USOA; Development of transition plan; Implementation of USOA.

- **Identify non-regulatory reporting requirements to USOA, including:**
 - Management information requirements;
 - Tax information requirements; and,
 - Shareholders and Creditors information requirements.
- The process of definition of management information requirements shall be based on site visits and interviews with utility management. Management reporting shall also reflect utility best practices.
- Tax reporting requirements shall be identified through a general study of the existing tax legislation and the current practices of recording and reporting information for the tax authorities.



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USoA –Development & implementation

Integrate regulatory and non-regulatory reporting requirements

- Regulatory and non-regulatory information reporting requirements shall be integrated into one comprehensive set of information requirements, which will form the basis for the development of USOA.

Study the existing chart of accounts (COA)

- The existing system of record for all financial transactions, reports, and audits in Bulgaria is set out in the Accountancy Law and NAS. However, each utility will most likely be using its own chart of accounts.
- All utility legacy charts of accounts shall be carefully studied, as information from them will have to be reclassified into the new USOA. The study of the existing COA will be instrumental in the development of the account balances conversion manual (ABC Manual) and the process of practical implementation of USOA.



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USoA –Development & implementation

Develop draft USOA

- In general, USOA shall have a tree structure and shall be based on one of two high-level guiding classification principles: a) classification of business transactions in accordance with their nature (i.e. by elements); and b) classification of business transactions in accordance with the business function (i.e. by functions). Whatever the high-level guiding principle chosen, USoA shall be organized in such a way as to be able to provide information on lower levels both by element and by function. This can be achieved, for instance, with the use a special category of management (transition) accounts.
- The accounts of USoA shall be broadly divided into categories (preferably each coded with one digit number), within each category shall include a number of groups of accounts (coded with a two-digit number), and within each group of accounts: accounts referred to as first-tier accounts. Each first-tier account can have as many sub-accounts referred to as second-tier accounts. Each second-tier account can have as much as nine sub-accounts of its own formed in a similar way and referred to as third-tier accounts and so on.



USoA categories

USOA shall include the following account categories:

- *A. Balance Sheet Accounts*
 - Non-current assets
 - Current assets
 - Equity
 - Non-current liabilities
 - Current liabilities
 - Long – term debt
- *B. Income Statement Accounts*
 - Revenues
 - Expenses
- *C. Management Accounts*
 - Management accounts
- *D. Off-Balance Sheet Accounts*
 - Off-balance sheet accounts



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USoA –Development & implementation

Finalization of USOA design

- The process of finalizing the design of USOA shall include the following steps:
 - Review proposal with users;
 - Incorporate feedback; and,
 - Develop a detailed account identification system.
 - Final adoption/approval of USOA by SERC



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Implementation Plan for USoA

- Develop proposals for the data requirements for the electricity sector that incorporates the tariff requirements, the license monitoring requirements and the benchmarking requirement of the SERC;
- Visit to the selected Licensees from the electricity sector to assess the development of the existing accounting activities (incl. Chart of account) prior to the IAS implementation;
- Proposal for the new assumptions for accounts division and conversion;
- Specify the major groups of accounts and sub-accounts;
- Specify the approach for some of the accounting categories within the tariff ordinance such as:
 - Revaluation of assets;
 - Depreciation of tangible and intangible assets;
 - Classification of Customers; and,
 - Allocation of costs between activities and customer classes.
- Develop a proposal for different classifications based on the size of the energy sector enterprise. Specify the possibilities for regulatory/accounting reporting requirement's reduction or exemption, which could apply to some Enterprises according to specific criteria.



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