

INSTRUCTIONS
on the implementation of Chapter Four, Section II ‘Accounting Documents’ of the
Law on the Introduction of the Euro in the Republic of Bulgaria

I. Purpose

These instructions have been prepared with the aim of providing all entities within the meaning of Article 2 of the Act, which shall be obliged to keep current accounting records and prepare annual financial reports, with detailed explanations of the rules and procedures for introducing the euro as official currency of the Republic of Bulgaria. The instructions are also in compliance with the principle of transparency, described in Article 10 of the Law on the Introduction of the euro in the Republic of Bulgaria, under which the process of introducing the Euro as official currency of the Republic of Bulgaria should be performed in a transparent way, as the responsible institutions, authorities and persons shall provide timely, detailed, clear, accurate and understandable information to the public.

The purpose of these clarifications is to ensure the smooth revalue of companies’ accounting information from BGN (Bulgarian lev) into EUR (Euro) as of the day of the euro introduction in the country.

II. General provisions

2.1. The present guidelines have been prepared in accordance with the requirements of the Accountancy Act, national and international accounting standards, as the leading standard in revaluation of accounting information is AS 21 - Effects of Changes in Foreign Exchange Rates, respectively IAS 21 Effects of Changes in Foreign Exchange Rates. The guidelines contain references to the Accountancy Act and the Accounting standards, whose requirements are applicable to the procedures for the currency revaluation of the companies’ accounting information.

2.2. Upon converting currencies and preparing accounting reports, it is necessary to comply with the principle of materiality (Art. 26, para. 1, item 6 of the Accountancy Act). Insignificant elements, including minor differences resulting from the revaluation of the Bulgarian lev into euro and immaterial rounding differences, can be accounted for and disclosed in accordance with the materiality principle.

2.3. These guidelines shall apply to the ongoing accounting and preparation of annual financial reports for which the reporting period ends after the date of the euro introduction.

2.4. Until the date of the euro introduction, the reporting currency in the Republic of Bulgaria is Bulgarian lev. All prepared, approved, adopted and published annual financial reports, with an annual financial reports date prior to the euro adoption, shall be retained in the currency (for most Bulgarian entities this currency is the Bulgarian lev) they are prepared. All primary and secondary accounting documents, registers, reports, declarations, etc. similar, containing accounting information and recorded in the entity’s accounting before the date of the Euro introduction, shall not be converted into Euro.

2.5 The change in the reporting currency in the accounting reports shall be reflected prospectively, from the date of the euro introduction and for future reporting periods.

2.6. The amounts stated in Bulgarian leva in the Accountancy Act (Art. 3, para. 4; Art. 28, para. 2; Art. 29, para. 3 and Art. 37, para. 1 and para. 4), which are not established by an act of the European Union, until the adoption by the National Assembly of the amendments to the Act, for the purposes of determining the thresholds referred to in the above provisions, shall be calculated by dividing the amounts by the official exchange rate of the euro and rounded according to the rules of Art. 12 and 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria.

2.7. Regarding the introduction of the Euro as the official currency of Bulgaria, the provisions of the Accountancy Act concerning the compilation of primary accounting documents, the minimum requisites they must contain, the requirements for the preparation of accounting registers and the components of the annual financial statement shall remain unchanged.

III. Key concepts used in these guidelines

3.1. 'Euro adoption date' is the date under Article 3 of the Law on the Introduction of the Euro in the Republic of Bulgaria (the date specified in the Decision of the Council of the European Union on the adoption of the Euro by the Republic of Bulgaria). This is the date on which the euro becomes the official currency of the Republic of Bulgaria.

3.2. 'Reporting period' is that one, within the meaning of §1, item 14 of the Additional Provisions of the Accountancy Act and it is a calendar year (January 1st - December 31st), unless otherwise provided by law.

3.3. The „Annual financial statement date” is the latest date to which the annual financial reports are compiled (e.g., the date of the annual financial reports for the reporting period ending on 31.12.2023 shall be 31.12.2023).

3.4. 'Reporting currency' is the currency in which the annual financial reports are presented. All other currencies are considered foreign currencies for the reporting entity.

IV. Currency translation of opening balances at the euro adoption date (closing balances as of December 31 of the reporting period prior to the euro adoption date)

4.1. Under international and national accounting standards, when there is a change in the entity's reporting currency, it should translate into the new reporting currency from the date of the change for future periods.

4.2. The recalculation and rounding of the amounts received is carried out according to the general rules in accordance with Art. 12 and Art. 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria, with the exception of the conversion of liabilities to personnel (accrued but unpaid remuneration for work performed, including liabilities under contracts for ordering or manufacturing (service contracts), bonuses, premiums, compensation, etc.), which are rounded according to the rules of Art. 45, para. 1 of the Law on the Introduction of the Euro in the Republic of Bulgaria.

4.3. Pursuant to the general rule, currency conversion from BGN into EUR is performed by dividing the numerical value in the Bulgarian lev by the full numerical value of the official exchange rate with all five decimal places. Currency conversion by using an abbreviated form of the official exchange rate shall not be allowed. The resulting amounts are rounded according to the mathematical rounding rule:

(a) when the third digit after the decimal point is less than five, the second digit after the decimal point remains unchanged;

Example: The amount of BGN 653.96 is divided by the official exchange rate of 1.95583¹ and it is received 334.36443, i.e. the amount converted into the Euro is EUR 334.36.

(b) when the third decimal place is equal to or greater than five, the second decimal place shall be increased by one unit.

Example: The amount of BGN 655.12 is divided by the official exchange rate of 1.95583 and results in 334.95753, i.e. the amount converted into the Euro is EUR 334.96.

4.4. Accrued but unpaid liabilities to personnel are rounded to the nearest euro cent coin, and if the third decimal place is greater than zero, the second decimal place is increased by one unit.

Example: Unsettled wages in the amount of BGN 1024.51 is divided by the official exchange rate of 1.95583 and results in 523.82364, i.e. the obligation to the personnel/employees is EUR 523.83.

4.5. Entities shall convert from BGN into EUR the values of all assets and liabilities of the entity, available on the date of the Euro introduction, analytically, for each asset and liability separately. For the purposes of analytical accounting, the value of one unit of measure in BGN, expressed with more than two decimal places, may be expressed with the same number of decimal places after currency conversion under Art. 12 and rounding according to the mathematical rule described in Art. 13, para. 1 of the Law on the Introduction of the Euro in the Republic of Bulgaria, as rounding should not be limited to the second decimal place, which is a possibility allowed by the provision of Art. 48, para. 3.

4.6. All exchange rate differences arising from the recalculation of items in the accounting statements and registers from BGN into EUR, with the exception of the subscribed capital and other elements of equity, are included in income (gains) and expenses (losses) for the period when the recalculations was made (in the period when the Euro was introduced as the official national currency) and are reflected in the Statement of revenue and expenditure or, respectively, in the Profit and Loss Statement (for entities applying IAS).

For the purposes of reconciliation of the balances on analytical accounts (materials, goods, suppliers, customers, etc.), an additional analytical account entitled 'currency conversion' may be opened.

Example: For the discrepancies in the material data in the table below, the following accounting entry may be recorded:

1. For negative discrepancies:	
Debit account 'Negative discrepancies due to exchange rate changes'	EUR 0.41
Credit account 'Materials'	
an. currency conversion	EUR 0.41
2. For positive discrepancies:	
Debit account 'Goods'	
an. currency conversion	EUR 4.47
Credit account 'Positive differences due to exchange rate changes'	EUR 4.47

¹ The rate will be officially set in a Council Regulation adopted in accordance with Article 140, para. 3 of the Treaty on the Functioning of the European Union. However, it should be taken into consideration that the Republic of Bulgaria has repeatedly stated that it will join the Euro area only at an exchange rate of BGN 1.95583 per EUR 1 (the exchange rate was most recently reconfirmed in item 3 of the National Assembly Decision as of 26.07.2024 on accelerating and completing the process of practical preparation for the adoption of the Euro in the Republic of Bulgaria). For this reason, these Instructions operate with this exchange rate.

4.7. Each item, which in accordance to accountancy legislation is kept by quantity and value, shall be converted by calculating the value of one item in compliance with the rules of Articles 12 and 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria and multiplying it by the quantity.

Examples of converting inventories from Bulgarian lev into euro

Inventory recalculation	Accountancy account	unit price in BGN	unit price in EUR	quantity/ number	Total in BGN	Total in EUR
I. On the date of introduction of the Euro – balance in Bulgarian lev on the Inventory accounts – for example: opening balance on 01.01.2025, which is a closing balance on 31.12.2024.						
1. Raw materials and supplies in BGN	Account ‘Materials’				3402.92	
2. Goods in BGN	Account ‘Goods’				1457992.50	
II. On the date of the Euro introduction - recalculated and rounded balances on the accountancy accounts ‘Raw materials and supplies’ and ‘Goods’ - Articles 12 and 13						
1. Raw materials and supplies in EUR	Account ‘Materials’					1739.89
2. Goods in EUR	Account ‘Goods’					745459.73
III. Recalculated by individual items/classification of materials and goods - unit price in EUR						
material 1	Materials - an. material 1	17.63	9.01	72	1269.36	648.72
material 2	Account ‘Materials’ - an. material 2	8.49	4.34	44	373.56	190.96
material 3	Account ‘Materials’ - an. material 3	16.00	8.18	110	1760.00	899.80
Total for Materials					3402.92	1739.48
Commodity A	Account ‘Goods’ - an. Commodity A	156.4	79.97	50	7820.00	3998.50
Commodity B	Account ‘Goods’ - an. Commodity B	222.3	113.66	75	16672.50	8524.50
Commodity C	Account ‘Goods’ - an. Commodity C	610	311.89	2350	1433500.00	732941.50
Total for Goods					1457992.50	745464.50
IV. Reporting exchange rate differences arising from the translation of positions into Euro						
Difference between the recalculated balances of the accounts ‘Materials’ and ‘Goods’ and their unit prices in EUR	Accounts ‘Negative discrepancies due to exchange rate changes – Materials’ (1739.89 – 1739.48)					0.41
	Accounts ‘Positive discrepancies due to exchange rate changes – Goods’ (745459.73 – 745464.50)					4.77

4.8. On the euro adoption date the balances on the accounting accounts reporting the equity of entities shall be converted in accordance with Articles 12 and 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria. Reclassification of positions related to revaluation is not allowed. Revaluation reserves, etc. shall not be reclassified into income (gains) or expenses (losses) until the asset is written-off (released) or the liability is settled.

4.9. Within a 12-month period from the date of the Euro introduction in the Republic of Bulgaria, commercial entities should adopt amendments to their Statutes, Memorandum and Articles of association or Articles of incorporation in accordance with the provisions of the Law on the Introduction of the Euro in the Republic of Bulgaria, by converting the values of the shares, capital shares and capital. Copies of the updated documents should be submitted for publication together with the submission of the first subsequent application for entry, deletion or publication in the Commercial register. All differences arising in connection with the recalculation of the subscribed capital are recorded in retained earnings/uncovered losses from previous years.

Examples of recalculation of subscribed capital in the amount of BGN 50,000

Joint-stock companies*:

Sequence for capital recalculation	Accountancy account	Option 1				Option 2			
		Value of 1 share	Number of shares	Debit	Credit	Value of 1 share	Number of shares	Debit	Credit
I. Subscribed (registered, entered in the statutes) capital in BGN	Account 'Registered capital' (analytical by shareholders; number of shares)	10	5000		50000	100	500		50000
II. On the date of the Euro introduction									
Conversion according to the rules of Art. 12 - the exchange rate approved by EU Council Regulation (e.g. 1.95583)					25564.59406				25564.59406
Rounded according to the rules of Art. 13					25564.59				25564.59
III. After the Euro introduction date									
Recalculation according to the rules of Art. 31		5.11292				51.12919			
Rounded according to the rules of Art. 13		5.11				51.13			
IV. On the date of entry in the Commercial register and Register of Non-profit Legal Entities of the recalculated capital in Euro									
Subscribed (registered, entered in the statutes) capital in EUR	Account 'Registered capital' (analytical by shareholders; number of shares)	5.11	5000		25550	51.13	500		25565
Difference between subscribed and recalculated capital	Account 'Retained earnings from previous years'				14.59				
	Account 'Uncovered losses from previous years'							0.41	

** The conversion from the example shall be valid only for the conversion from Bulgarian lev to euro of nominal values of shares issued by the company itself against the subscribed capital of a joint-stock company or a limited partnership with shares. In all other cases of ownership of shares, they are converted from Bulgarian lev to euro according to the rules set forth for assets.*

Limited liability companies:

Limited liability companies should follow the following sequence:

1. Automatic recalculation of the capital in the Commercial Register, according to Article 33 of the Law on the Introduction of the Euro in the Republic of Bulgaria.

For example: Capital BGN 5,000 will be automatically converted to EUR 2,556.46

2. The entities shall carry out a value distribution of the capital converted to euro, according to the amount of the shareholding under the partnership agreement, in accordance with Art. 31, para. 5 of the Law on the Introduction of the Euro in the Republic of Bulgaria.

For example: Partnership agreement with capital of BGN 5,000, distributed among three partners, where two of the partners have a shareholding in the amount of BGN 1,650 each and one partner - BGN 1,700.

According to Art. 31, para. 5 of the Law on the Introduction of the Euro in the Republic of Bulgaria, the amount of each partner's share in the capital shall be calculated, and the converted amount of the capital is distributed among the partners in accordance with their participation in the capital before conversion.

The amount of the shareholding of the first two partners shall be determined as follows: $\text{BGN } 1,650 / \text{BGN } 5,000 * \text{EUR } 2,556.46 = \text{EUR } 843.6318$, rounded in compliance with the rules of Art. 13 – EUR 843.63.

The amount of the third partner's shareholding shall be determined as follows: $\text{BGN } 1,700 / \text{BGN } 5,000 * \text{EUR } 2,556.46 = \text{EUR } 869.1964$, rounded in compliance with the rules of Art. 13 – EUR 869.20.

3. The changes made in the values of the capital (registered capital) and the value of the shares in the capital are reflected in an updated version of the partnership agreement, a copy of which shall be submitted for publication in the Commercial register in accordance with Art. 32, para. 4 of the Law on the Introduction of the Euro in the Republic of Bulgaria. In case the sum of the shares in the capital does not correspond to the automatically converted amount of the registered capital, according to Art. 32, para. 5 of the Law on the Introduction of the Euro in the Republic of Bulgaria, the partners may adopt a decision to change the entity capital, but by no more than 5 per cent of the value of the registered capital, and in accordance with this decision the partnership agreement shall be amended (Art. 137, para. 1, item 1 and para. 3 of the Commerce Act), in which case the rules for increase and decrease of the capital shall not apply (Art. 148 – 153 of the Commerce Act). Changes in capital that are more than 5 per cent of the value of the registered capital should be carried out according to the general procedure provided for in the Commerce Act for increasing and decreasing capital.
4. Upon converting shares, Art. 117, para. 2 of the Commerce Act should be interpreted as meaning that shares may be denominated up to the second decimal place in euro, in accordance with the provisions of Art. 117, para. 1 of the Commerce Act.

V. Current accounting after the euro introduction date

5.1. During the period of dual circulation of the BGN and EUR, entities accepting cash payments shall maintain analytical records of cash held in registers separately in BGN and EUR

5.2. All business transactions and accounting documents received by the entities on and after the date of introduction of the Euro shall be recorded in EUR.

5.3. Documents issued in BGN before the date of introduction of the Euro and received by the entities in the period between the date of introduction of the euro and the date of acceptance of the annual financial reports in Bulgarian lev are registered in BGN. Documents issued in BGN before the date of introduction of the euro, but received by the entities after the date of introduction of the euro and after the date of acceptance of the annual financial reports in BGN, are registered in the current reporting period in EUR.

5.4. In case the entities receives a document in EUR after the date of euro adoption, but relating to a previous reporting period ending in BGN, the document should be registered in the previous period in BGN, converted at the official exchange rate and rounded according to the rules of Articles 12 and 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria (on the date of introduction of the Euro, the electricity invoice for the previous month, which was issued in the current month, should be issued in EUR).

5.5. Documents issued in another foreign currency shall be converted to EUR, according the rules of NAS (National Accounting Standards) 21 and IAS (International Accounting Standards) 21, by applying the exchange rate of the euro to that foreign currency.

5.6. Prepaid vouchers issued by retailers in BGN, with an expiry date after the date of euro adoption, shall be converted to EUR at the official exchange rate at the time of presentation of the voucher by the consumer (at the time of voucher use).

5.7. Postage stamps, lottery games with a predetermined result, discount coupons, coupons for the value of returned goods, vouchers, other bearer securities, compensatory instruments under Art. 2 of the Law on Transactions with Compensatory Instruments, as well as payment instruments under Art. 2, para. 1, item 11 of the Law on Payment Services and Payment Systems, as well as tobacco products that were on sale, in circulation or released for consumption on the territory of the country before the date of euro adoption in the Republic of Bulgaria, and whose values are expressed in BGN, shall be used after the date of the introduction of the euro until their expiry date or until the stocks are exhausted, applying the official exchange rate and in accordance with the rules for currency conversion and rounding under Articles 12 and 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria.

VI. Annual financial reports

6.1. In accordance with Article 23 of the Accountancy Act, the financial report should be prepared and presented in the official currency as of the date of the annual financial reports. Concerning the preparation and publication of annual financial reports the following rules shall apply:

(a) the statements, whose annual financial reports date is before the date of euro adoption, shall be prepared and presented in BGN;

(b) the statements with an annual financial reports date after the date of euro adoption shall be prepared and presented in EUR;

(c) upon converting comparative data from BGN into EUR for the previous period (for the reporting period ending before the date euro adoption), the exchange rate approved by a regulation of the Council of the European Union shall be used.

6.2. The reason for the change in the reporting currency from BGN into EUR should be disclosed in the explanatory notes to the annual financial reports.

6.3. Upon preparing interim financial reports and/or other reports and statements for specific purposes, the same rules under items 6.1 and 6.2 shall apply.

VII. Tax effects of currency conversion from BGN into EUR

Income (gains) and expenses (losses) arising from exchange rate differences resulting from the revaluation of balance sheet items from BGN to EUR shall be recognized for tax purposes in accordance with Article 48, paragraph 4 of the Law on the Introduction of the Euro in the Republic of Bulgaria.