Central European Service for Cross-Border Initiatives
(headquarters: 1067 Budapest, Teréz krt. 13., tax number: 18188071-2-42)

EVALUATION REGULATION
(in a structure uniform with modifications)

The aim of the accounting policy is to provide the Association with an accounting system on the basis of which a report, containing reliable and true information, can be compiled and the accounting system also provides an information base suitable for executive decisions.

The present Evaluation Regulation summarises accounting policy decisions for the valuation of tools and resources and the valuation methods and procedures for their practical implementation.

1. The general rules of evaluation

1.1 General principles

Valuation means the determination of the value of assets and resources (to be included in the balance sheet of the report). The determination of the value used when entering the assets and resources into accounts also falls within this notion, as it is the basis of the year-end review.
Valuation shall be based on the principle of continuation of management, if the application of this principle is not restricted by a different provision, or if there is no conflicting factor or circumstance for the continuation of the activity.
The valuation principles applied during the preparation of the previous year's balance sheet can only be changed if the factors causing the change arise permanently – for at least one year – and therefore the change is considered persistent and substantial. In this case, the factors causing change and their quantitative impact shall be detailed in an accompanying annex.
Assets and liabilities shall be audited by inventory and consultation and they must be assessed individually in accordance with the provisions of the Inventory and Scrapping Regulation. Valuation at the average supply price for assets procured at different times, usually registered in groups, with the same parameters, shall also be considered with individual valuation.
When determining the profit or loss shown in the balance sheet, any depreciation or impairment that affects the current assets on the balance sheet shall be considered during the careful balance sheet valuation.

1.2 Evaluating currency and foreign currency items

When determining the HUF value of the currency stock, the foreign currency in the foreign currency bank account, the receivable denominated in foreign currency, the invested financial instrument, the security (together: asset denominated in foreign currency) and the liability, we do the following.
The currency and the foreign currency shall be converted into HUF at the official rate of exchange published by the Hungarian National Bank.

It is necessary to differ from the use of the exchange rate previously prescribed if a currency is not registered and convertible by the Hungarian National Bank. Assets and liabilities denominated in such a currency have to be converted into HUF. In this case, it must be converted into HUF at the free market exchange rate of the currency.

The difference between the carrying amount and the HUF value at the valuation date of the currency stock in the currency treasury, the foreign currency in the foreign currency account, the receivable denominated in foreign currency, financial asset, security or liability prior to the valuation of the balance sheet date of the financial year:
a) if it is an aggregated loss, it shall be accounted for as an exchange loss among the other expenditures of the financial operations in the balance sheet;
b) if it is an aggregated profit, it shall be demarcated in time to cover the exchange-rate loss of the next financial year(s) after the accounting of the other revenues of the financial operations in the balance sheet.

2. Evaluating instruments

Non-current assets and current assets shall be valued at amortised cost, reduced by the used depreciations. If, at the balance sheet date of a financial year, the market value of an individual asset is less than its carrying amount, the difference shall be recognized as depreciation or impairment.

2.1 General evaluation rules

2.1.1. The amortised cost of instruments[1]

The amortised (purchase, production) value of an asset is the total amount of items that can be individually connected to the asset prior to putting into service and delivering to the warehouse in order to obtain, establish and put into service the asset. The amortised (purchase) cost includes the purchase price reduced by discounts and increased by surcharges, consideration and fees for delivery, loading, foundation, construction, installation, transmission activities emerged regarding the procurement of the asset, putting it into service and transferring it to a warehouse (in case of carrying out these activities in individually owned enterprises, the capitalised value of the direct cost), the commission fee, the taxes related to procurement (consumption tax paid upon procurement, excise duty) and customs duties.

Part of the amortised (purchase) value – in addition to those listed above – closely linked to the procurement of equipment
a) levy [property (gift, inheritance, purchase, exchange) tax];
b) the non-deductible, input VAT;
c) administrative and service charges based on legislation;
d) other official administrative and service procedural charges (environmental product fee, professional fee);
e) the fee of the procured right to purchase.

The amortised (purchase) cost does not include the deductible input VAT and the non-deductible proportion of the input VAT divided in proportion to the consideration according to the VAT Law. The amount of subsidy, permanently received in connection with investment, does not reduce the amortised (purchase) cost of the asset.

Part of the amortised (purchase) value
a) loan and credit used in direct connection with the acquisition or production of the asset

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1 The special rules are described by the given group of assets.

aa) the costs of bank guarantee – required as a condition of the credit or the loan – paid before taking up the loan;

ab) the handling fee, disbursement commission paid for the use of credit specified in the contract, the commitment fee charged until the use of credit;

ac) the fee of notarial authentication;

ad) interest accounted (charged to the period) for the period until bringing the asset into service and delivering it to the warehouse after taking up the loan;

b) insurance premiums – accounted for the period until the bringing the asset into service (charged to the period) – directly linked to investment; and

c) the exchange difference of foreign currency loans – accounted for the period until bringing the asset into service (charged to the period) – directly linked to investment and property rights, if the difference is an exchange loss, up to its amount at most; and

d) the fees and direct costs of investment planning, investment preparation and investment management.

Items that are part of the amortised (purchase) cost shall be considered in the invoiced and charges amount when they occur and the economic activity takes place (when putting into service, at the latest). If the invoice and the relevant certificate have not come in by the time of putting into service and the amount to be paid has not been determined by the competent authority, the value of the given asset shall be determined based on the available documents (contract, market information, legal regulation). The purchase value shall be modified when receiving the final certificates by the difference between the values, thus determined and the amount to be paid (charged) actually invoiced or subsequently amended if the amount of the difference significantly changes the value of the given asset.

Wages as consideration for workflow increasing the use value of the asset or processing shall be considered as the amortised (purchase) cost that increases the value of the asset.

The amortised (purchase) cost of an asset received in exchange for a receivable is the (invoiced, certified) value of the asset based on the agreement, exchange contract and property distribution proposal.

The amortised (purchase) cost of an asset acquired through exchange is the value of the asset under the exchange contract, the selling price of the asset given in exchange.

The amortised (purchase) cost of the asset taken over free of charge (without the obligation to reimburse) is the value (exchange, market value at most) according to the records at the transmitter, and in case of an asset received as a gift or heritage and an asset found as surplus (surplus not as a result of an administration error), it is the market value of the asset known at the time of purchase.

The amortised cost of the asset include those costs that directly emerged when the asset was put into service and during the expansion, change of intended purpose, transformation and restoration of the original condition of the asset. Part of the amortised cost of services performed, provided and rendered include costs that

a) directly emerged during the performance, provision, and supply of services;

b) were closely linked to the performance, provision and rendering of the service.

2.1.2. The depreciation of instruments[2]

The amortised cost of intangible assets and tangible assets reduced by the residual value expected at the end of their useful lives shall be divided into the years in which the assets are expected to be used.

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2 The special rules are described by the given group of assets.

Useful life: the period during which the Association charges the amortisable asset pro rata on the result.
Residual value: at the time of using it to its intended purpose and putting it into service – based on the available information, depending on the useful life – the likely realisable value of the asset at the end of its useful life. The residual value may be zero if its value is not likely to be significant.
Used methods of depreciation: the ratio of depreciation to be accounted for annually to the amortised cost (gross value) is determined in the accounting policy. This shall be applied from the time of using it for its intended purpose and putting it into service after registration. The entry into force must be substantially documented.
Depreciation shall be accounted for after intangible assets and tangible assets, which have already been used as intended and put into service until they are used adequately, in accordance with their intended use or their value is written to zero.
The intangible or tangible asset shall be impaired if
a) the carrying amount of the intangible or tangible asset (not including investment) is permanently and significantly higher than the market value of those assets;
b) the value of the intellectual property and tangible asset (including investment) is sustainably reduced because the intellectual product and tangible asset (including investment) has become useless due to a change in activity or cannot be used as originally intended due to damage, destruction or absence, or it is unusable;
c) property rights cannot be enforced or only in a limited way due to the amendment to the contract.

Impairment shall be carried out to such an extent that the intangible asset and the tangible asset are included in the balance sheet at the market value, valid (known) at the time of preparing the balance sheet, in accordance with their application. If the intangible asset or the tangible asset cannot be used or is useless for the purpose of the investment, it is annulled or missing, it shall be derecognised from intangible assets, tangible assets and investments - after the accounting of impairment.
Depreciation and impairment may not be accounted in case of intangible and tangible assets that have already been fully depreciated or that reached the planned residual value.

2.1.3. The impairment of instruments[3]

If the market value of an asset is lower than its carrying (amortised) amount at the balance sheet date, or the net value of an intangible or tangible asset determined by considering depreciation, the carrying (amortised) amount of the given asset shall be reduced by the difference exceeding the recognised value adjustment (beyond amortisation) by recognizing impairment.

2.1.4. The value adjustment of instruments

If the market value of the property rights, intellectual property, tangible asset (except for investments, advances for investment) and equity investments significantly exceeds the carrying amount of the given asset, the difference between the market value and the carrying amount can be recognised in the balance sheet as "Value adjustment" and as "Revaluation reserve" within equity.
In the books, the amount of value adjustment and its changes shall be recorded separately per individual instrument.

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3 The special rules are described by the given group of assets.

If the amount of the value adjustment determined for each individual tool and the amount of the value adjustment recognized on the balance sheet date of the previous financial year significantly vary, the difference supported by the inventory
a) increases the amount of value adjustments against revaluation reserve, if the value adjustment of the base year exceeds the value adjustment of the previous year;
b) decreases the amount of value adjustments against revaluation reserve, if the value adjustment of the base year is lower than the value adjustment of the previous year, up to the amount of the value adjustment at the balance sheet date of the previous financial year.

When assets are derecognised, a separately recorded value adjustment related to the individual asset must also be derecognised from the fair value reserve.

2.2 Evaluating fixed assets

2.2.1. Intangible assets

The intangible assets shall be recognised at the amortised cost or the carrying amount reduced by depreciation and impairment of this amortised cost and increased by the reversed amount of impairment. The advance on intangible assets shall be recognised in the amount transferred – not including the deductible input VAT –, at the carrying amount reduced by recognised impairment and increased by the reversed amount of impairment.
The market value of a property right and an intellectual property exceeding the carrying amount shall be recognized separately as an adjustment to the value of intangible assets in the same amount as the fair value reserve that forms part of the equity.

2.2.2. Tangible assets

The tangible asset and investment shall be recognised at the carrying amount reduced by depreciation and impairment of the amortised cost and increased by the reversed amount of impairment. The advance on investment shall be recognised in the amount transferred – not including the deductible input VAT –, at the carrying amount reduced by recognised impairment and increased by the reversed amount of impairment.
In case of acquiring immovable property, the (not yet written off) amount included – under a contract – in the value of the property, previously paid as the purchase of rental rights, recognised as rental rights shall be considered as amortised (purchase) cost that increases the value of the asset.
The purchase value of accessories and spare parts necessary – and acquired at the time of purchase of the tangible asset or putting it into service – for the safe operation and intended use of the tangible asset is considered to be part of the amortised (purchase) cost of the tangible asset, regardless of whether it appears in the invoiced value of the tangible asset or in a separate invoice.
The consideration for work related to the expansion, change of purpose, transformation and increase of service life of the existing tangible asset, as well as the repair work to restore the original condition of the worn out tangible asset should be considered as the amortised (purchase) cost that increases the value of the tangible asset.
The value of repair and maintenance work for the continuous, uninterrupted, safe operation of the tangible asset shall not be considered in the amortised (purchase) cost of the tangible asset.
Depreciation may be recognised on the value of the land or the plot, and investment not brought into force.

Depreciation shall not be accounted for a work of fine art, or for picture and sound archives or other collections and assets that do not lose their value during use, or the value of which increases from year to year due to its special situation and uniqueness.
If there has been a significant change in the circumstances considered when determining the depreciation annually accounted for of a crucially important tangible asset to the Association, the depreciation to be accounted for may be changed, but the quantitative impact of the change on profit or loss shall be shown in the explanatory notes.

2.2.3. Financial investments

In case of a debt security due in over one year – regardless whether it is included in current assets or non-current financial assets – shall be recognised at amortised cost or at the carrying amount reduced by the already accounted impairment, increased by the amounts reversed by impairment.
The amortised (purchase) cost of a debt interest-bearing security shall not include the amount of determined interest that is part of the purchase price.
A financial fixed asset denominated in foreign currency shall be recorded in the accounting records at the HUF rate converted at the foreign exchange rate on the date of admission and contract performance date.
The financial fixed asset denominated in foreign currency shall be recognised in the balance sheet at the HUF rate converted at the foreign exchange rate at the balance sheet date of the financial year if the difference in the valuation at the balance sheet date has a significant effect on assets denominated in foreign currency and profit or loss.
In case of a debt security due in over one year – regardless of whether it is included in current assets or non-current financial assets – is impaired if the difference between the carrying amount of the debt security and its market value – not including (accrued) interest – the difference is loss-making, appears to be persistent and of a significant amount.
When determining the market value of the security, the following shall be considered:
a) the exchange rate, over-the-counter rate, market value of the security reduced by (accrued) interest and its permanent trend;
b) the market perception of the issuer of the security, the tendency of the market perception, whether the issuer is expected to pay the nominal value (and accrued interest) at maturity and redemption, and in what proportion they will pay it.

In case of an equity investment denominated in foreign currency, or in case of a debt security, the amount of the impairment shall be determined in foreign currency, and then it shall be accounted for at the exchange rate into HUF included under the expenditures and revenues of the financial operations. The effects of exchange rate changes must be determined afterwards.

The Association shall prepare regulations for its planned investments as necessary.

2.3. Evaluating current assets

2.3.1. Evaluating stocks

Stocks shall be recognised in the balance sheet at amortised cost or at their carrying amount reduced by recognised impairment and increased by the reversed amount of impairment, the advance on stocks shall be recognised in the amount transferred – not including the deductible input VAT –, at the carrying amount reduced by recognised impairment and increased by the reversed amount of impairment.

2.3.2. Evaluating demands

The receivable (including receivables from credit institutions and financial corporations, funds, amounts granted as a borrow or advance) – regardless of whether it is included in current assets or non-current financial assets – shall be recognised at the accepted and recognised cost or at the carrying amount reduced by the already accounted impairment, increased by the amounts reversed by impairment.
Other receivables in the balance sheet shall be recognised at the amount due, requested and paid, at the adopted value or at the carrying amount reduced by the already accounted impairment, increased by the amounts reversed by impairment.
A receivable denominated in foreign currency shall be recorded in the accounting records at the HUF rate converted at the foreign exchange rate on the date of admission and contract performance date.
The receivable denominated in foreign currency shall be recognised in the balance sheet at the carrying amount, reduced by the exchange rate of the accepted and recognized amount of foreign currency upon contractual completion (or at the balance sheet date) or by the exchange rate of the already recognised impairment loss denominated in foreign currency, increased by the amount of the impairment reversed in foreign currency at the exchange rate.
The liability denominated in foreign currency shall be recognised in the balance sheet at the HUF rate converted at the foreign exchange rate at the balance sheet date of the financial year if the difference in the valuation at the balance sheet date has a significant effect on assets denominated in foreign currency and profit or loss.
The receivable shall be recognised at the carrying amount in the balance sheet until it has been financially or otherwise settled (by offsetting or transferring assets in accordance with the Civil Code) or settled with a bill, or until it has been waived or written off as a doubtful claim.
Doubtful claims cannot be detected in the balance sheet. A partially or entirely doubtful claim shall be written off as a credit loss for the financial year at least when preparing the balance sheet, in accordance with the requirements of foreign exchange regulation in case of a foreign currency claim, based on the information available whe preparing the balance sheet.
Based on the rating of the buyer and the debtor, impairment shall be recognised for receivables (including receivables from credit institutions and financial corporations, amounts granted as a borrow or advance and items of a receivable nature among the prepaid expenditures of revenues) existing at the balance sheet date of the financial year and not financially settled by the balance sheet date – based on the available information at the balance sheet date – in the amount of the difference – of a loss nature – between the carrying amount of the receivable and the amount of the receivable expected to be recovered, if this difference is inclined to persist and represent a significant amount, meaning it is maturing in over one year and exceeds 100,000 HUF.

2.3.3. Evaluating marketable securities

In case of a debt security due in over one year – regardless of whether it is included in current assets or non-current financial assets – shall be recognised at amortised cost or at the carrying amount reduced by the already accounted impairment, increased by the amounts reversed by impairment.
A security denominated in foreign currency shall be recorded in the accounting records at the HUF rate converted at the foreign exchange rate on the date of admission and contract performance date.
The security denominated in foreign currency shall be recognised in the balance sheet at the HUF rate converted at the foreign exchange rate at the balance sheet date of the financial year

if the difference in the valuation at the balance sheet date has a significant effect on assets denominated in foreign currency and profit or loss.
A short-term debt security (maturing within one year or at one year) shall be evaluated at purchase cost (at the purchase price reduced by interest part of the purchase price) as long as the issuer is expected to pay the nominal value (and accrued interest) at maturity and redemption.
In case of a debt security due in over one year – regardless of whether it is included in current assets or non-current financial assets – is impaired if the difference between the carrying amount of the debt security and its market value – not including (accrued) interest –, the difference is loss-making, appears to be persistent and of a significant amount.
When determining the market value of the security, the following shall be considered:
a) the exchange rate, over-the-counter rate, market value of the security reduced by (accrued) interest and its permanent trend;
b) the market perception of the issuer of the security, the tendency of the market perception, whether the issuer is expected to pay the nominal value (and accrued interest) at maturity and redemption, and in what proportion they will pay it.

In case of an equity investment denominated in foreign currency, or in case of a debt security, the amount of the impairment shall be determined in foreign currency, and then it shall be accounted for at the exchange rate into HUF included under the expenditures and revenues of the financial operations. The effects of exchange rate changes must be determined afterwards.

2.3.4. Evaluating funds

The value of the treasury and checks in the balance sheet shall be recognised as the value of the HUF money stock in the treasury, the converted HUF value of the currency stock, the value of electronic money and the value of the received checks on the balance sheet date of the financial year.
The HUF deposit value with the credit institution equal to the bank statement shall be recognised in the balance sheet as the value of the bank deposits at the balance sheet rate (and the converted HUF value of the foreign currency in the foreign currency account equal to the bank statement), regardless of whether they are with domestic or foreign credit institutions.
The currency stock in the currency treasury and the foreign currency on the foreign currency bank account shall be recorded in the accounting records at the HUF rate converted at the foreign exchange rate on the date of admission and contract performance date, except for the currency and foreign currency purchased for HUF that shall be recorded in the paid amount and in which case, the registration exchange rate shall be determined based on the actually paid HUF.
The currency stock in a currency treasury and foreign currency on a foreign currency bank account shall be recognised in the balance sheet at the HUF rate converted at the foreign exchange rate at the balance sheet date of the financial year if the difference in the valuation at the balance sheet date has a significant effect on assets denominated in foreign currency and profit or loss.

3. Evaluating resources

The equity, the provision and the liabilities have to be recognised based on the carrying amount in the balance sheet.

3.1 Evaluating equity

If the market value of the property rights, intellectual property, tangible asset (except for investments, advances for investment) and equity investments significantly exceeds the carrying (amortised) amount of the given asset, the difference between the market value and the carrying (amortised) amount between the assets can be recognised in the balance sheet as "Value adjustment" and as "Revaluation reserve" within equity.
If the amount of the value adjustment determined for each individual tool and the amount of the value adjustment recognized on the balance sheet date of the previous financial year significantly vary, the difference supported by the inventory
a) increases the amount of value adjustments against revaluation reserve, if the value adjustment of the base year exceeds the value adjustment of the previous year;
b) decreases the amount of value adjustments against revaluation reserve, if the value adjustment of the base year is lower than the value adjustment of the previous year, up to the amount of the value adjustment at the balance sheet date of the previous financial year.
When assets are derecognised, a separately recorded value adjustment related to the individual asset must also be derecognised from the fair value reserve.
An independent auditor shall be charged with the review of the evaluation.

3.2 Evaluating obligations

The advance payment received from the buyer in HUF shall be recognised in the actual amount received, the advance payment received in foreign currency shall be recognised in the translated amount in the balance sheet until the accounting after contractual completion, until the advance payment is refunded or accounted for as other revenue.

Including value added tax from the transport of goods and the performance of services
a) liability to be performed in HUF in the recognised, invoiced amount;
b) liability to be performed in foreign currency in the recognised, invoiced amount of foreign currency converted into HUF shall be shown in the balance sheet until it has been settled with funds, bills, transfer of assets, offsetting in accordance with the Civil Code, and it has been accounted for as extraordinary or deferred income.

A loan or borrow taken up in HUF shall be recognised in the balance sheet in the amount actually paid or reduced by repayments, and a loan or borrow taken up in foreign currency shall be recognised in the balance sheet in the amount of foreign currency actually paid or reduced by payments converted into HUF.
The amount of the liability regarding finance leases shall be put into the balance sheet reduced by the amount of repayment of the lease payment determined in the leasing contract. The amount of the liability recorded in this title shall not include the amount of interest to be paid in connection with the finance lease.
A liability denominated in foreign currency shall be recorded in the accounting records at the HUF rate converted at the foreign exchange rate on the date of admission and contract performance date.
The liability denominated in foreign currency shall be recognised in the balance sheet at the HUF rate converted at the foreign exchange rate in the balance sheet date of the financial year if the difference in the valuation at the balance sheet date has a significant effect on foreign liabilities and profit or loss.
If the amount of the liability to be recovered is higher than the received amount, the amount to be recovered shall be shown in the balance sheet – in accordance with its title – among the other liabilities until the date of recovering the liability and it shall be shown in the

explanatory notes. Out of the differences accounted as interest to be paid, the amount charged to the financial year(s) following the base year shall be taken into stock and accounted between deferred charges.

Date: Budapest, 04 September 2020

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dr. Tamás Tóth
president

The amendments are adopted by the General Assembly Decision No
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Budapest, 14 September 2020

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