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This Profile provides information about the application of IFRS Standards in Azerbaijan. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	The Chamber of Auditors of Azerbaijan Republic (CAAR)
Role of the organisation	The Ministry of Finance of the Republic of Azerbaijan has statutory authority to set accounting standards. The role of the CAAR is to advise the Ministry of Finance.
Website	http://www.ach.gov.az/?/en/
Email contact	audit-azerbaijan@audit.gov.az

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

The Republic of Azerbaijan Accounting Law (2004) states: 'International Financial Reporting Standards are hereby adopted in their entirety for use by the subjects of accounting mentioned in article 8.1. of this law; modifications to these standards can only be made by the International Accounting Standards Board and such modifications shall be effective when they are officially adopted by the International Accounting Standards Board.'

The accounting law may be found here: <http://www.maliyye.gov.az/sites/default/files/store/5/Accounting%20la>

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes. See above.
What is the jurisdiction's status of adoption?	The Republic of Azerbaijan has already adopted IFRS Standards.
Additional comments provided on the adoption status?	<p>The Republic of Azerbaijan Accounting Law (2004) requires IFRS Standards for the following types of entities:</p> <ul style="list-style-type: none">• credit organisations;• insurance companies;• investment funds;• non-state (private) social funds;• entities with securities traded on the stock exchange; and• commercial organisations that on the date to which the financial statements are prepared, exceed two of the thresholds (for annual revenue, average number of employees during the financial year and total balance sheet) in an amount determined by the relevant executive authority. <p>In addition, any commercial organisation (other than a very small one) that has one or more subsidiaries must prepare consolidated financial statements in accordance with IFRS Standards.</p> <p>In addition, all other commercial organisations (except very small ones) are permitted to use IFRS Standards or the IFRS for SMEs Standard.</p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	All.
Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose	Yes.

securities trade in a public market?

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

IFRS Standards are required in the separate financial statements of all companies whose securities trade in a public market.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

IFRS Standards are required for the following types of entities:

- credit organisations;
- insurance companies;
- investment funds;
- non-state (private) social funds;
- entities with securities traded on the stock exchange; and
- commercial organisations that on the date to which the financial statements are prepared, exceed two of the thresholds (for annual revenue, average number of employees during the financial year and total balance sheet) in an amount determined by the relevant executive authority.

In addition, any commercial organisation (other than a very small one) that has one or more subsidiaries must prepare consolidated financial statements in accordance with IFRS Standards.

In addition, all other commercial organisations (except very small ones) are permitted to use IFRS Standards or the IFRS for SMEs Standard.

Entities that do not use IFRS Standards are required to use accounting standards as follows:

- Commercial organisations other than ‘subjects of small entrepreneurship’ must choose between Azerbaijan National Accounting Standards and IFRS Standards. Azerbaijan National Accounting Standards are developed by the Ministry of Finance. The Republic of Azerbaijan Accounting Law (2004) requires that National Accounting Standards be developed ‘on the basis of International Financial Reporting Standards’ and must ‘cover all subjects regulated by the International Financial Reporting Standards’. Moreover, any difference with IFRS, and the reasons for that difference, must be explained in an appendix to the relevant National Accounting Standard.
- [‘Subjects of small entrepreneurship’](#) may choose the IFRS for SMEs Standard, Azerbaijan National Accounting Standards, or *Simplified Accounting Rules for Subjects of Small Entrepreneurship* developed by the Ministry of Finance.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Permitted.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

IFRS Standards as issued by the IASB Board.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

IFRS Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?

Yes.

Are IFRS Standards incorporated into law or regulations?

Yes. See the [excerpt from the Republic of Azerbaijan Accounting Law \(2004\)](#) above.

If yes, how does that process work?

See the [excerpt from the Republic of Azerbaijan Accounting Law \(2004\)](#) above.

If no, how do IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?

Endorsement is not needed. The Republic of Azerbaijan Accounting Law (2004) provides that new or amended IFRS Standards are automatically effective 'when they are officially adopted by the International Accounting Standards Board'.

If yes, what is the process?

Not applicable.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS in the jurisdiction?

None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?

Yes.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?

IFRS Standards are translated into Azeri by the Ministry of Finance under contract with the IFRS Foundation.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No. Nonetheless, the IFRS for SMEs Standard may be used in Azerbaijan. See below.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	All SMEs are permitted to use the IFRS for SMEs Standard.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	<p>Companies not required to use full IFRS Standards must choose as follows:</p> <ul style="list-style-type: none"> • Commercial organisations other than ‘subjects of small entrepreneurship’ must choose between Azerbaijan National Accounting Standards and IFRS. Azerbaijan National Accounting Standards are developed by the Ministry of Finance. The Republic of Azerbaijan Accounting Law (2004) requires that National Accounting Standards be developed ‘on the basis of International Financial Reporting Standards’ and must ‘cover all subjects regulated by the International Financial Reporting Standards’. Moreover, any difference with IFRS, and the reasons for that difference, must be explained in an appendix to the relevant National Accounting Standard. • ‘Subjects of small entrepreneurship’ may choose the IFRS for SMEs Standard, Azerbaijan National Accounting Standards, or Simplified Accounting Rules for Subjects of Small Entrepreneurship developed by the Ministry of Finance. <p>‘Subjects of small entrepreneurship’ are defined by regulation as follows:</p> <ul style="list-style-type: none"> — <u>Companies in industry and construction</u>: Fewer than 50 employees and annual turnover of AZN 500,000 (approximately US\$650,000) in industry and construction; — <u>Companies in agriculture</u>: Fewer than 25 employees and annual turnover of AZN 250,000 (approximately US\$325,000); — <u>Companies in wholesale trade</u>: Fewer than 15 employees and annual turnover of AZN 1,000,000 million (approximately US\$1,300,000); and — <u>Companies in retail trade, transportation, services and other forms of economic activities</u>: Fewer than 10 employees and annual turnover of AZN 250,000 (approximately US\$325,000).
Other comments regarding use of the IFRS for SMEs Standard?	None.