University of Pannonia

Evaluation Policy for Assets and Liabilities of the University of Pannonia

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*if the entry into force of the rules is subject to adoption by the Board of Trustees

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The Evaluation Policy for Assets and Liabilities of the University of Pannonia (hereinafter referred to as: "Regulation") issued by the University of Pannonia (hereinafter referred to as: ”University") on the basis of the University's Organisational and Operational Rules (hereinafter referred to as: "OOR"), Part I Organisational and Operational Rules of Procedure (hereinafter referred to as: "OORP") approved by the Senate of the University of Pannonia and adopted by the Foundation for the University of Pannonia acting as the operator exercising founders' and ownership rights (hereinafter referred to as: "Operator") and on the basis of the resolution by the Board of Trustees on the rules of procedure for adopting the regulations of the University of Pannonia by the Board of Trustees is as follows:

Chapter I: General Provisions

1.§ Introduction

(1) The University is a higher education institution operating as a public benefit organisation, which, as an economic entity, is subject to Act C of 2000 on Accounting (hereinafter: 'Accounting Act'). The Accounting Act lays down the reporting and bookkeeping obligation of economic operators, the principles to be observed in the course of the compilation of reports and the keeping of books, the rules established upon such principles, as well as disclosure, publication and audit requirements. In accordance with the provisions of Section 14 (4) and (5) of the Accounting Act, the University shall prepare, as provided for in the Accounting Act, its accounting policy considering the specificities and the circumstances of its economic operation, and, as an annex thereto, its Evaluation Policy for Assets and Liabilities.

(2) Pursuant to Article 7 (2) of the Accounting Policy of the University of Pannonia, the mandatory accounting regulations related to the accounting policy are issued as separate regulations.

2.§ Regulation Purpose

(1) By virtue of the Accounting Act, the purpose of the Regulation is to define the valuation principles, procedures and methods underlying the valuation of assets and liabilities based on accounting policy decisions, taking into account the specificities of the University.

3.§ Scope of the Regulation

(1) The scope ratione personae of the Regulation extends to all Faculties, comprehensive organisational units, organisational units as well as to employees of the University, regardless of whether they are employed by or work in another capacity for the University.

(2) The scope ratione materiae of the Regulation includes all assets and liabilities that have value and are recognised in the balance sheet.

4.§ Persons Responsible for Drawing Up the Regulation

(1) The Chancellor is responsible for setting the main objectives of the Regulation, while the Director of Economic Affairs is responsible for the preparation, amendment and implementation of the Regulation, under the authority delegated to him/her by the Chancellor.

5.§ Legal Provisions Governing the Drafting of the Rules

(1) When drawing up this Regulation the University has taken into account the following legislation in addition to the Accounting Act:

a) Government Decree No. 479/2016. (XII. 28.) on the Particulars of the Reporting and Book-keeping Obligations of Certain Other Organisations (hereinafter: 'Decree No. 479'),
b) Act CLXXV of 2011 on the Freedom of Association, Non-profit Status and the Operation and Support of Civil Organisations (hereinafter: 'Civil Act');
c) Government Decree No. 350/2011. (XII.30.) on Certain Issues Related to the Economic Operation, the Collection of Donations, and Nonprofit Status of Civil Organisations (hereinafter: 'Decree No. 350');

d) Act CCIV of 2011 on National Higher Education (hereinafter: ‘Nftv.’);
e) Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter: ‘Corporate Tax Act’);
f) tax legislation in force at the time.

6.§ Principles of Valuation

(1) The general rules for the valuation of balance sheet items shall be governed by Section 46 of the Accounting Act. Pursuant to this:

a) valuation shall be based on the principle of going concern, unless the enforcement of this principle is hindered by any provision to the contrary, or if any factor or circumstance prevails, which contradicts the continuation of entrepreneurial activities;
b) the valuation principles applied in the process of drawing up the balance sheet for the previous year may be changed only if the factors causing the change exist on a permanent basis, that is, for not less than a period of one year, and the change is consequently deemed to be permanent or long term. In this case, the factors causing the change, and the quantified effect thereof, shall be detailed in the notes on the accounts;
c) assets and liabilities shall be audited and – with the exceptions prescribed by law – evaluated item by item by way of inventory (stock-taking, reconciliation). The valuation of assets that were acquired or created at various times, that are – in general – registered in groups, and which carry similar properties, can be carried out based on the average purchase price (production cost);
d) when establishing the profit or loss shown in the balance sheet, in the course of the valuation of the balance sheet items all depreciation and impairment losses that exist on the balance sheet date and became known by the balance sheet date shall be taken into consideration.

Chapter II

Rules on Valuation of Assets and Liabilities

7. § Determining the Cost (Purchase and Manufacturing) of Assets

(1) The cost (purchase, manufacturing) of an asset shall mean the expenditure required for the acquisition, creation, installation of the asset incurred before commissioning or delivery thereof to the warehouse, and which may be attached to the asset in question. The cost (original cost) includes the purchase price reduced by any discounts and increased by any premium, the costs and charges paid to intermediaries, or for the delivery, loading, foundation, installation and commissioning services supplied in connection with the purchase, commissioning and delivery of the asset to the warehouse, any commission, as well as the taxes and similar levies, and customs charges. The items comprising part of the cost original cost) is detailed in Section 47 of the Accounting Act.

(2) If the purchase is effected in foreign currency on the basis of an invoice, the value of the goods or services is the HUF value of the foreign currency amount on the invoice, excluding deductible VAT, converted at the exchange rate applicable at the time of purchase or when the service is rendered (performed), in accordance with Section 60 (4) to (6) of the Accounting Act.

(3) Items that form part of the cost (original cost) should be included in the invoiced, levied amount when incurred, i.e. the economic event occurs (at the latest when the asset is put into operation). If the invoice or equivalent document has not been received by the time of installation or delivery to the warehouse, or the amount to be paid has not been established by a competent authority, the value of the asset in question must be determined on the basis of the available documents (contract, market information, legal specifications). The difference between the value so determined and the amount actually invoiced or subsequently adjusted (levied) to be paid shall be used to adjust the original cost at the time of receipt of the final supporting documents if the amount of the difference significantly changes the value of the asset. If the amount of the difference does not significantly change the cost (original cost) of the asset, the amount of the difference is recognised as other expense or other income, as appropriate, when the final supporting documents are received.

(4) The cost of internally produced intangible assets, tangible assets and internally produced inventories is determined based on the direct cost calculated with the methodology set out in the Rules for Cost Accounting.

8. § Determining the HUF Value of Assets and Liabilities Denominated in Foreign Currency

(1) Pursuant to Section 60 (4) of the Accounting Act, when determining the HUF value of assets (receivables, securities, etc.) and liabilities denominated in foreign currencies, the University converts the currency into HUF at the official exchange rate published by the National Bank of Hungary.

(2) If assets and liabilities, which are denominated in non-convertible currency or in a currency that is not listed by the National Bank of Hungary, are to be converted into HUF, the conversion shall be carried out in accordance with Section 60 (5) of the Accounting Act.

(3) If assets and liabilities, which are denominated in non-convertible currency or in a currency that is not listed by the National Bank of Hungary, are to be converted into HUF, the first step shall be to use the exchange rate of the European Central Bank. If the currency is not listed by the European Central Bank, it shall be converted into HUF at the free market exchange rate of the currency – or, in the absence thereof, based on the exchange rate of one of the currencies around the world as published in a national daily newspaper to a currency that is listed by the National Bank of Hungary, and then converted to HUF at the official exchange rate of the National Bank of Hungary.

Chapter III

Valuation of Assets and Liabilities That Have Value and Are Recognised in the Balance Sheet

9. § Fixed Assets

(1) Fixed assets are intended to serve the company's activities and operations on a long-term basis, for a period of not less than one year.

(2) The group of fixed assets shall include intangible assets, tangible assets and financial investments.

(3) If the use or purpose of an asset changes after its classification, because the asset is no longer used for the activity or operation on a permanent basis, its classification should be changed: the fixed asset should be reclassified as current asset or vice versa. Classification or reclassification shall be initiated by the head of the organisational unit, with justification, and shall be implemented by the Directorate for Economic Affairs (hereinafter: 'DEA'), with the approval of the Director of Economic Affairs.

10. § Intangible Assets and Tangible Assets

(1) In the balance sheet, intangible assets and tangible assets are reported at original cost less accumulated ordinary and extraordinary depreciation, plus any reversal of accumulated extraordinary depreciation.

(2) The DEA is responsible for determining the original cost of intangible and tangible assets and for accounting for depreciation.

(3) Market value shall be used to determine the original cost of assets and to record them when these are received free of charge, as gifts or as bequests, or found to be surplus assets.

(4) The market value is determined as follows:

a) The market value of real estate is determined by means of property valuation.
b) The market value of technical and other machinery, equipment, tools and vehicles is determined on the basis of price lists and/or a technical estimate or valuation.

(5) The market value must be documented with the help of supporting data and information. The head of the beneficiary organisational unit is responsible for the preparation of the documents if they are assumed without consideration, received as gifts or as bequests, while the head of the organisational unit finding them is responsible for the preparation of the documents, if they are found to be surplus assets.

(6) The approval of the value based on market valuation shall fall within the purview of the Director of Economic Affairs.

11. § Ordinary Depreciation

(1) In accordance with the provisions of the Accounting Act, depreciation shall be recognised on intangible and tangible assets. The accounting of depreciation shall be governed by Section 52 of the Accounting Act.

(2) The original cost (purchase or production) of intangible and tangible assets less the estimated residual value at the end of their useful life shall be distributed over the number of years in which such assets are expected to be used by the University.

(3) Residual value means the estimated value of an asset which can be realised at the end of its useful life, as determined at the time when commissioned or placed into operation based on the information available as consistent with its useful life. The residual value can be reduced to zero if its estimated value is insignificant.

(4) Useful life means the period, over which an economic entity depreciates an asset prorated by a predetermined time, charges said depreciation to its profit and loss account, and is likely to use said asset taking into account its foreseeable physical wear (typical circumstances of an activity, material properties of the asset), market obsolescence (changes in technology) and legal and other restrictive factors in connection with the use of the asset.

(5) Ordinary depreciation shall be recognised on intangible and tangible assets already put into their regular operation, as long as they are used by the University in accordance with their intended purpose.

(6) The University determines depreciation on a straight-line basis over time in relation to cost, excluding fixed assets with a cost of less than HUF 200 thousand, and depreciates them monthly linearly in proportion to the number of days in use, using the following depreciation rates:

a) For intangible assets:

Property rights	16%
Intellectual property	33%

b) For tangible assets:

Buildings	2%
Other structures	3%
Informatics devices	33%
Other machinery, equipment and tools	14.5%
Vehicles	20%

(7) In the case of assets not mentioned above, depreciation shall be calculated in accordance with the provisions of Annex 2 to the Corporate Tax Act.

(8) The University shall depreciate in one lump sum at the time of putting into use its intellectual property, property rights and tangible assets with an individual original cost of less than HUF 200 thousand.

(9) The University does not capitalise the costs of formation/restructuring.

(10) Ordinary depreciation cannot be recognised:

a) On the cost (original cost) of undeveloped land, plots (with the exception of land used for mining, hazardous waste storage), forest, works of art, archaeological finds and investments not put into operation.
b) Ordinary depreciation should not be recognised on assets that do not lose value in use or whose value increases from year to year because of their special situation or unique nature.
c) The University does not recognise ordinary or extraordinary depreciation on intangible and tangible assets that have been fully depreciated or have reached their planned residual value.

12. § Recognising Extraordinary Depreciation

(1) Pursuant to Section 53 of the Accounting Act, extraordinary depreciation shall apply in connection with intangible and tangible assets, if:

a) the book value of the intangible or tangible asset (with the exception of assets in course of construction and renovation) remains permanently and substantially higher than the market value of such asset. A difference between the book value and the market value is considered to be permanent if it exists for at least one year on the basis of past facts or future expectations or, regardless of the duration of its existence, if it is considered to be definitive on the basis of the information available at the time of valuation. The market value shall be determined by consulting an expert, an appraiser, by asking for quotes on similar assets, by reviewing previous transactions or by analysing advertisements. Extraordinary depreciation shall be initiated by the head of the organisational unit, with justification, and shall be implemented by the DEA, with the approval of the Director of Economic Affairs.

b) the value of intellectual property and tangible assets (including assets in course of construction) drops permanently because such intellectual property or tangible assets (including assets in course of construction) have become unnecessary due to a change in the entrepreneurial activities, or cannot be used for the intended purpose thereof as a consequence of damage or destruction, or cannot be used at all. If an intangible asset, tangible asset or asset in the course of construction is no longer usable for its intended purpose, or is completely unusable, destroyed or missing, it is removed from the books of the University, from the accounts of intangible assets, tangible assets or assets under construction, after recognising the extraordinary depreciation. In the case of shortage or scrap, the extraordinary depreciation shall be recorded up to the net value at the time of realising the shortage or scrapping, and this must be recorded.

(2) In the case of property rights, depreciation can only be recognised to a limited extent or not at all.

(3) DEA is responsible for preparing a proposal for extraordinary depreciation. After approval by the Director of Economic Affairs, the extraordinary depreciation may be effectuated.

13. § Financial Fixed Assets

(1) Long-term holding, loans granted on a long-term basis, including long-term deposits, and long-term debt securities shall be shown under financial fixed assets in the balance sheet.

(2) Investments representing equity in a company and debt securities with a maturity of more than one year, whether included in current assets or financial fixed assets, are carried at cost less any impairment loss already recognised, plus the amount of any reversal of the impairment loss.

(3) A financial fixed asset with foreign monetary value must be recorded in the accounting records in HUF at the HUF exchange rate at the date of acquisition or at the date of performance as per the contract. In the balance sheet, financial fixed assets with foreign monetary value shall be recorded in HUF at the exchange rate in accordance with Article 8 at the balance sheet date of the financial year.

(4) The year-end valuation of financial fixed assets shall be supported by an inventory. When the inventory is taken, the financial fixed assets shall be entered into inventory from the analytical accounts kept and reconciled in accordance with the accounting principles at the value at the balance sheet date.

(5) DEA is responsible for establishing the costs of financial fixed assets, for their recording and valuation.

(6) The University is required to recognise an impairment loss on assets defined in the Accounting Act, including on certain financial fixed assets, pursuant to Sections 54-56 of the Accounting Act.

(7) Impairment loss shall be recognised on investments representing equity in a company, whether classified as current assets or financial fixed assets, in the – negative – amount of the difference between the book value and the market value of the investment, if this difference is considered to be permanent and material.

(8) When determining the market value of the investment the following should be taken into account:

a) The long-term market perception of the company and the trend of such perception, the stock exchange and free market value of the investment less any (accumulated) dividends, and the long-term trend thereof.

b) If the company is to be terminated, the estimated return.

c) The percentage of the company's equity earmarked for the investment, if the investment is denominated in a foreign currency, at the HUF value calculated with the exchange rate selected according to Article 8 of this Regulation and in effect for the balance sheet date of the financial year.

(9) If the market value of the investment at the balance sheet date is significantly and permanently higher than the book value of the investment, the impairment loss recognised previously shall be reversed with the amount of the difference. After the reversal of the impairment loss, the book value of the investment may not exceed the original acquisition value.

(10) With respect to debt securities with a maturity of over one year, irrespective of whether listed under current assets or financial fixed assets, impairment loss shall be recognised if the difference between the book value and the market value – without any (accumulated) interest – of the debt securities is negative, and if it appears permanent and is of substantial amount.

(11) When determining the market value of securities the following should be taken into account:

a) the stock market price, the market value of the security, less the (accrued) interest, and the long-term trend thereof.
b) the long-term market perception of the issuer of the security and the trend of such perception, whether the issuer will pay the face value and the (accumulated) interest upon maturity or when redeemed, and if so in what percentage.

(12) If the market value of the security is significantly and permanently higher at the balance sheet date than the book value of the security, the impairment loss recognised previously shall be reversed with the amount of the difference. After the impairment loss is reversed, the book value of the security shall not exceed the original cost, or if the original cost is higher than the face value (in respect of securities purchased above face value), after the impairment loss is reversed the book value of the security shall not exceed the face value of the security.

(13) The amount of the impairment loss (reversal of the impairment loss) in the case of equity securities and debt securities denominated in foreign currency must be determined in foreign currency and then converted into HUF at the exchange rate of the foreign currency used for the recording, and recognised in the income or expenses of financial operations. The effect of rate changes shall be established subsequently.

14. § Rules for Recognising Value Adjustments

(1) The University does not exercise the option of value adjustment.

15. § Current Assets

(1) Current assets serve the University's activities for a period under one year. Current assets include stocks, receivables, securities and cash and cash equivalents.

16. § Stocks

(1) Stocks encompass assets serving the company's activities, directly or indirectly, which are either involved in a single activity and lose their original form in the course of the activity, or they are involved in several activities but are required by law to be classified as stocks, or they are used within one year.

(2) Purchased stocks are presented in the balance sheet at their value less any impairment losses recognised and adjusted for the reversal of any impairment losses recognised in the previous period.

(3) Stocks should not be shown in the balance sheet at a value higher than their purchase or production cost. The value of an asset with a previously recognised impairment loss may be adjusted if its market value is consistently and significantly higher than its book value, but only up to its original cost.

(4) Analytical recording of stocks is carried out on the basis of individual stock records kept by each organisational unit. The heads of the relevant organisational unit are responsible for keeping the analytical records. Organisational units shall send to the DEA a quarterly statement of the analytical records of stocks in the form of a report. Quarterly stock value data is entered manually into the EiiR accounting system.

(5) During the year, organisational units shall keep a regularly updated record of the quantity and value of stocks purchased, which shall be reconciled by taking a physical inventory at the end of the year.

(6) If the cost (original cost) or book value of the purchased stocks (materials, goods) is significantly and permanently higher than their actual market value known at the time of preparing the balance sheet, impairment loss shall be

recognised for the stocks and the stocks shall be entered into the balance sheet at their actual market value.

(7) If the cost (original cost) or book value of internally produced stocks (work in progress, semi-finished, finished goods and animals) is significantly and permanently higher than their expected selling price known at the time of preparing the balance sheet, they shall be recorded in the balance sheet at their selling price less costs expected to be incurred, plus expected allowances, and the value of the stocks shall be reduced by an impairment loss in the amount corresponding to the difference.

(8) In addition to the foregoing, the cost (original cost) or book value of purchased stocks, or the cost (original cost) of internally produced stocks, shall be reduced when recognised in the balance sheet if the quality of the stocks does not comply with the relevant requirements (standard, delivery condition, technical specification, etc.) or is not suited for the intended purpose of the stocks, if they are damaged, if the utilization or sale thereof has become doubtful, or if they have become superfluous. The reduction of the value of stocks – by recognizing the difference as impairment loss – shall, in this case, be effected to an extent so that such stocks be shown in the balance sheet at the market value (at least at the cost of materials or at residual value) corresponding to the utility (marketability) of such inventories, prevailing (as known) on the balance sheet date or when the qualification procedure is completed.

17. § Receivables

(1) Receivables are claims expressed in monetary value for payment, arising lawfully from various supply, work, service and other contracts which are related to the supply of products and services, the sale of debt securities and equity securities, lending arrangements, advance payments (including interim dividends), covering also various other receivables, such as purchased receivables and receivables assumed without consideration and under other titles, which have already been performed by the University and have been accepted and acknowledged by the other party, furthermore, claims awarded by final court decisions.

(2) Changes in the portfolio of receivables during the year are continuously

recorded both in the analytical accounts and in the general ledger. Receivables should be recognised at cost. It is the responsibility of the DEA to determine the cost of receivables and to account for year-end valuations.

(3) Only receivables recognised by the buyer/debtor may be entered in the balance sheet. The University recognises receivables in the balance sheet at cost, at the amount approved or acknowledged.

(4) In the balance sheet, receivables shall be shown at the approved value (invoiced), as acknowledged by the partner. Cases and documents supporting that the partner has recognised the claim:

a) in the case of a claim based on a contract, where the partner does not contest the invoice and has not objected regarding the quantity or quality of the performance,
b) a balance notification letter is sent on the 31 December of each year and the buyer accepts its content,
c) the claim is settled financially by the buyer after the balance sheet date but before the balance sheet is drawn up,
d) a 'creditor's claim confirmation' is sent by the liquidator,
e) in the year-end valuation of a statutory claim, the claim is deemed to be recognised if the statutory provision or decision provides for recognition, even if the debtor disputes it.

(5) Procedural rules on unrecognised claims:

a) DEA, as the one in charge of keeping analytical record, consults the debtor and, if the claim is justified, rejects the buyer's/debtor's objection and calls again for payment of all or part of the amount,
b) if the claim is not justified on the basis of the buyer's/debtor's objection and the debtor confirms this in writing, the claim is deleted from the analytical records by the DEA who keeps the analytical records. The supporting documents for an unrecognised claim are a letter of objection sent in response to a balance notification letter and a declaration by the debtor that the claim is not justified,
c) unrecognised claims should not be included in the balance sheet. These should be shown separately. Disputed and/or claims under litigation shall be valued individually, irrespective of the amount, and shall be disclosed in the

notes on the accounts. The removal of the claim from the books does not signify a waiver of the claim.

(6) Debtors and buyer who have recognised their debts but have not paid them by the due date shall be called upon to settle their debts as follows:

a) Receivables from students are recorded in the Neptun Unified Education System. The Directorate of Academic Affairs is responsible for managing these receivables (sending payment reminders).
b) Additional receivables other than receivables from students are recorded in the SAP system. In this case, the following departments are responsible for the management of the receivables (sending payment reminders):
   - the Business Administration and Human Resources Office and the Office for Technical Matters and Purchasing within the University Centre of the University of Pannonia at Zalaegerszeg are responsible for customer invoicing related to the University Centre of Zalaegerszeg,
   - the DEA is responsible for rental fees (with the exception of items concerning Zalaegerszeg),
   - other invoicing is also the responsibility of DEA.
c) The debtor or the buyer must be notified about the delay in payment and, if necessary, requested by registered letter with acknowledgement of receipt or by e-mail with read receipt to settle the debt, and if this is not successful, the claim must be forwarded to the Department of Legal Affairs and Procurement for legal action.
d) Taking into account the cost-benefit principle, the University does not impose an obligation on organisational units to take action to recover claims below HUF 100,000, except for sending a voluntary demand for payment.

(7) Rating of receivables shall be carried out based on below criteria at the time of the preparation of the balance sheet:

a) how the expected recoverable amount of the receivable compares with its book value,
b) whether the claim meets the criteria of a bad debt under the Accounting Act,
c) whether the claim has been cancelled (Article 17 (6) d)).

(8) When valuing the portfolio of receivables at the balance sheet date, the following order shall be followed:

a) accounting for credit related losses (claims written off or cancelled),
b) accounting for impairment losses and reversals of impairment losses.

(9) According to the rating of receivables and based on the information available when closing the balance sheet, an impairment loss shall be recognised in the amount of the negative difference between the book value of receivables which are recorded as outstanding (not settled financially) on the balance sheet date of the financial year and the amount of such receivables estimated to be recovered, if the difference appears permanent and is of substantial amount.

(10) Receivables of insignificant amount:

a) Receivables of insignificant amount of less than HUF 100,000 per partner are valued together as a group.
b) For the separate group of receivables of insignificant amount in the accounts, the amount of impairment loss may be determined as a percentage of the original cost of these receivables, based on the combined rating of the receivables, and may be recognised as a single amount, and accounted for separately. In such a case, at the next year-end valuation, the amount of the impairment loss on the receivables of insignificant amount, determined in a similar manner, shall be compared with the amount of the impairment loss recognised for the same item in the previous year and the difference at the group level shall be recognised as an increase or reversal of the previously recognised impairment loss, as appropriate.
c) Receivables shall be further broken down by maturity, and for debtors for which no specific information is available or for receivables of insignificant amount, the following impairment loss shall be recognised:

Expiry date:	% of impairment loss
between 181-365 days	50%
for categories beyond 365 days	100%

(11) The valuation of receivables from students is the same as the group valuation of receivables of insignificant amount, with the exception that a 100%

impairment loss is to be recognised for receivables from students exceeding 365 days, regardless of the amount.

(12) Receivables not from students and those of not insignificant amount shall be valued independently:

a) Rating criteria for debtors and buyers, assessing solvency:
   - the income situation of the debtor or buyer,
   - whether the financial difficulty is temporary or permanent,
   - whether the debtor is in bankruptcy, liquidation or winding-up proceedings,
   - what payment guarantees and securities are included in the contract,
   - the chances of the claims being enforced,
   - the extent to which the claim is expected to be recovered.
b) If, based on the rating of the receivables, the amount of the receivables expected to be recovered significantly exceeds their book value, the impairment loss recognised previously shall be reversed with the amount of the difference.

(13) Bad debt: claims described under Section 3 (4) Point 10 of the Accounting Act should be considered irrecoverable and shall be recognised under other expenses as credit related losses. 'Bad debt' shall mean a claim

a) that cannot be recovered from the debtor by enforcement, or that can be recovered only in part (if the enforcement procedure fails to provide satisfaction in itself and if enforcement is suspended, the fact that the claim cannot be recovered can be presumed under the principle of prudence, if it is supported by an abandoned seizure report),
b) that was cancelled by the creditor within the framework of bankruptcy or liquidation proceeding or under the debt consolidation of local governments,
c) for which there is no cover according to the written certificate (statement) issued by the liquidator,
d) that is not satisfied upon conclusion of a liquidation or debt consolidation procedure by the asset(s) received at a value specified in the proposal for the distribution of assets,
e) that cannot be feasibly enforced, specifically where the amount presumed to be recovered is not likely to cover the costs of order for payment or

enforcement procedures (order for payment or enforcement procedure generates or increases losses), or the debtor is not at the address available and cannot be located, and efforts to locate the debtor did not produce any results as ‘documented’,

f) that cannot be enforced in a court of law,
g) that has expired under the term of limitation in accordance with the relevant legislation.

(14) Failure to recover a debt and the amount involved shall be verified.

(15) In the event of a bad debt, the Department of Legal Affairs and Procurement shall make a proposal to the DEA to write off the debt as irrecoverable.

18. § Cash and Cash Equivalents

(1) Cash and cash equivalents shall include cash, electronic money and checks, and bank deposits.

(2) Valuation of cash and cash equivalents:

a) The value of the petty cash recognised in the balance sheet is the HUF amount in the general ledger account of the petty cash, which corresponds to the amount in the periodic cash report and the actual cash balance on 31 December.
b) In the balance sheet, the value of the bank accounts must be entered in the same amount as in the books, corresponding to the amount shown on the bank statement for the last day of the year.
c) The value of foreign currency in a foreign currency account as shown on the bank statement should be recognised converted to HUF, regardless of whether it is deposited with a domestic or a foreign credit institution.
d) Foreign currency deposited in a foreign currency account must be entered in the accounting records converted to HUF with the HUF exchange rate at the date of deposit or at the date of contractual performance, except for foreign currency purchased for HUF, which must be entered in the amount paid and for which the exchange rate to be used when recognising it in the records must be calculated from the HUF amount actually paid.
e) In the balance sheet, foreign currency cash holdings on hand and foreign currency in foreign currency accounts must be shown in HUF at the

exchange rate prevailing on the balance sheet date of the financial year.

(3) It is the responsibility of the DEA to determine the cost of cash and cash equivalents and to account for year-end valuations.

(4) For cash and cash equivalents, the impairment loss category is applied when the credit institution holding the account is unable to make the full amount in the account available to the account-holder University.

(5) Responsibilities relating to cash and cash equivalents are set out in the Money Management Policy of the University of Pannonia.

19. § Accruals and Deferrals

(1) Accrued and deferred assets as well as accruals and deferred income and their reversal must be recognised in accordance with Sections 32-33 and Sections 44-45 of the Accounting Act respectively.

(2) Those accruals and deferrals whose reversal is not linked to the occurrence of specific economic events, such as the financial settlement of debt assumption, are reversed at the beginning of the year and their current values are established at the next reporting date.

(3) The cost, and any impairment loss, of accruals and deferrals is determined by applying the rules applicable to the nature and type of each item.

20. § General Rules for Reversing Extraordinary Depreciation and Impairment Loss

(1) If the book value of fixed assets and current assets is lower than the original cost of those assets and the reasons for the lower valuation no longer exist or exist only partly, the amount of the extraordinary depreciation in respect of intangible and tangible assets or the amount of the impairment loss recognised in respect of other assets shall be reduced, in order to write back the value of the assets in question to their market value, but maximum to their original cost under which they were recognized in the books and, in respect of intangible assets and tangible assets, to their net value determined by ordinary depreciation against other revenues, or as a component to be deducted from the expenses on financial transactions, so as to establish a true and fair view (reversal).

(2) The reversal of extraordinary depreciation and impairment loss shall be carried out within the framework of the valuation at the balance sheet date of the financial year.

21. § Equity

(1) Items included as equity are to be shown in the balance sheet at book value.

22. § Rules for Creating Provisions

(1) The University does not set aside any provisions beyond the mandatory requirements of the Accounting Act.

23. § Payables

(1) The University shall record as payables, in accordance with Section 42 of the Accounting Act, recognised debts, expressed in monetary value, arising from supply, work, service and other contracts, which are related to the supply, service, credits or loans already performed by a supplier, contractor, service provider, creditor or lender and are accepted and recognised by the University. Payables can be subordinated, long-term and short-term liabilities.

(2) The University shall keep records that reveal the type and content of the payables and show separately the payables which exist with regard to affiliated companies.

(3) Payables shall be entered into the financial statements at their book value in HUF, identically to the analytical accounts, after they have been inventoried.

(4) Payables are to be shown in the balance sheet at book value.

(5) Advances received from buyers in HUF shall be shown in the balance sheet at the amount actually received, and advances received in foreign currency at the converted amount, until the contract is settled following performance, the advance is repaid or recognised as other income.

(6) Liabilities arising from the supply of goods or services, including VAT, payable in HUF shall be recognised at the invoiced amount in the balance sheet, while liabilities payable in foreign currency shall be recognised in the invoiced amount, unless the consideration is paid in the form of export goods, whereby the recognised invoiced amount in foreign currency is to be converted into HUF, until

it is settled by cash, a bill of exchange, transfer of assets, offsetting under the Civil Code, or it is recognised as other or deferred income.

(7) Loans and credits denominated in HUF must be shown in the balance sheet at the amount actually disbursed less repayments, while loans and credits denominated in foreign currency must be shown in the balance sheet at the amount actually disbursed in foreign currency less repayments, converted into HUF.

(8) The amount of the liability related to a finance lease shall be entered in the balance sheet decreased by the amount of the instalment payment stipulated in the leasing contract. The amount entered under this heading does not include the amount of interests payable in connection with finance leases.

(9) A payable denominated in foreign currency must be recorded in the accounting records in their HUF value converted at the HUF exchange rate at the date of entry or at the date of performance as per the contract.

(10) In the balance sheet, payables denominated in foreign currency shall be recorded in their HUF value converted at the exchange rate of the balance sheet date of the financial year.

24. § Year-End Valuation Rules for Foreign Currency Assets and Liabilities

(1)The course of action for the year-end valuation is as follows, in accordance with Section 65 (2) of the Accounting Act:

a) determining the book value of assets and liabilities denominated in foreign currencies;
b) determining the value at the balance sheet date for each item denominated in foreign currency (ownership holdings, receivables, foreign currency holdings, foreign currency in foreign currency accounts, payables, etc.) individually at the exchange rates as defined in the accounting policy.

(2) The calculations made for foreign exchange valuation form part of the documentation for the year-end valuation.

Chapter IV: Final Provisions

25.§ Entry Into Force, Approval

(1) The University promulgates and publishes this Regulation on its website (www.uni-pannon.hu).

(2) By virtue of Resolution No. 197/2023. (X.26.), this Regulation has been adopted by the Senate at its meeting on the 26th October 2023.

(3) This Regulation shall enter into force on 1 November 2023.

(4) This Regulation shall remain in force until further notice.

(5) Simultaneously to this Regulation entering into force, the Evaluation Policy for Assets and Liabilities of the University of Pannonia approved by Resolution No. 173/2021. (X.28.) of the Senate shall cease to have effect.

Veszprém, 26th October 2023

Dr. András Gelencsér	Zsolt Csillag
Rector	Chancellor

On behalf of the Foundation for the University of Pannonia, as Operator, approved by:

Veszprém, 31st October 2023

Dr. Péter Bartus

Director of Operations