Pannon Egyetem

University of Pannonia

Accounting Policy of the University of Pannonia

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Table of Contents

Chapter I: General 6
1.§ Introduction 6
2.§ Purpose of the Regulation 6
3.§ Scope of the Regulation 7
4.§ The persons responsible for preparing the Regulation 7
5.§ Legal requirements for the preparation of the Regulation 7
6.§ Requirements for the Regulation 8
7.§ Regulations related to the Accounting Policy 8
8.§ Identifyication data and activities of the University 8
Chapter II: Reporting obligation 10
9.§ General rules on reporting obligations 10
10.§ The financial year 11
11.§ Balance sheet closing date 11
12.§ Accounting services 11
13.§ Disclosure, publication 13
Chapter III: The rules of bookkeeping 13
14.§ Method of bookkeeping 13
15.§ Accounting principles 14
16. § The method of cost accounting 17
17.§ Requirements on supporting documents and recordkeeping requirements, accounting documents 17
18.§ Decisions related to the establishment of the system of accounts 17
19.§ General ledger and analytical accounts 17
Chapter IV: Priority rules for the valuation of assets and liabilities 19
20.§ Determination of acquisition costs 19
21.§ Method for determining the degree of completion and readiness 20
22.§ Value of irrecoverable receivables 20
23.§ Rules for accounting for scheduled depreciation 20

24.§ Accounting rules for extraordinary depreciation and depreciation reversal....21
25.§ Value adjustment....21
26.§ Valuation at fair value....22
27.§ Accounting for impairment loss and reversal of impairment....22
28.§ Valuation of foreign currency items....22
29.§ Provisioning....23
30.§ Recording of the capitalised value of intellectual products and experimental development resulting from R&D activities....23
Chapter V: Rules on accounting closures....25
31.§ General rules for closing accounts....25
32.§ Rules for the monthly close....25
33.§ Rules for the quarterly close....26
34.§ Rules for the annual close....26
35.§ Rules for accounting for opening adjustment items....27
Chapter VI: Relationship between the balance sheet and the inventory....27
36.§ Supporting the balance sheet by inventory....27
Chapter VII: The annual report....27
37.§ Form and content of the annual report....28
38.§ Balance sheet and profit and loss statement....28
39.§ Content of the supplementary notes....29
40.§ Content of the public benefit statement....31
Chapter VIII: The meaning and criteria for material, significant and exceptional value for accounting purposes....32
41.§ Criteria for materiality and significance....32
IX. Audits and self-revisions....34
42. § Post-audit, self-revision or tax authority audit of the data for the financial year(s) for which reports have been adopted by the Board of Trustees of the Operator....34

Chapter X: Final provisions.....35
43.§ Effective date, approval.....35

The Accounting Policy (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

1.§ Introduction

(1) The University is a higher education institution operating as a public benefit organisation. The University, as a business entity, is subject to Act C of 2000 on Accounting (hereinafter referred to as: “Act”). The Act sets out the reporting and accounting obligations of business entities, the principles to be applied in the preparation of the accounts, the keeping of the books, the rules on which they are based and the requirements for disclosure, publication and audit. The University must, pursuant to the provisions of Sections (4) and (5) of Article 14 of the Act, prepare its accounting policy, taking its peculiarities and financial management conditions into account.

2.§ Purpose of the Regulation

(1) The purpose of the Regulation is to establish an accounting system (bookkeeping and the supporting documentary system) based on the principles and valuation standards set out in the legislation referred to, which serves as a basis for an annual report that provides a reliable and fair picture of the University's financial management, assets, financial situation and income and, at the same time, provides information suitable for management decisions.

3.§ Scope of the Regulation

(1) The personal scope of the Regulation extends to all Faculties, comprehensive organisational units, organisational units and employees of the University, regardless of whether they are employed by the University or work under any other legal relationship.

(2) The material scope of the Regulation extends to the accounting, reporting and the preparation of the balance sheet and profit and loss account during the financial year.

4.§ The persons responsible for preparing the Regulation

(1) The Chancellor is responsible for setting the main principles of the accounting policy, while the Director of Economic Affairs is responsible for the preparation, amendment and implementation of the regulation, under the authority delegated to him or her by the Chancellor.

5.§ Legal requirements for the preparation of the Regulation

(1) In preparing its accounting policies, the University has taken the following legislation, in addition to the Act, into account:

a) Government Decree No. 479/2016. (XII.28.) on the specific reporting and accounting obligations of entities that qualify as specific other entities under the Accounting Act (hereinafter referred to as: “Decree”);
b) Act CLXXV of 2011 on the Right of Association, the Public Benefit Status and the Functioning and Support of Non-Governmental Organisations (hereinafter referred to as: “NGO Act”);
c) Government Decree No. 350/2011. (XII.30.) on the financial management of civil society organisations, fundraising and certain issues of public benefit status (hereinafter referred to as: “CSO Decree”);
d) Act CCIV of 2011 on National Higher Education (hereinafter referred to as: “NHEAct”);
e) the tax laws in force.

6.§ Requirements for the Regulation

(1) The accounting policy must set out in writing the rules, regulations and methods specific to the University, by which it determines what it considers to be material, significant, immaterial, insignificant, income, costs and expenses of exceptional amount or occurrence for accounting and valuation purposes, and which of the options and classification options provided by law it applies, under which conditions, and for what reasons it must change its practice.

(2) The accounting policy must be developed on the basis of the principles and valuation rules set out in the Act, taking the derogations and specificities set out in the Decree into account.

(3) The accounting policy must be developed to best fit the University's capabilities and peculiarities.

7.§ Regulations related to the Accounting Policy

(1) The following regulations and policies are an integral part of the accounting policy:

a) Inventory Control and Inventory Preparation Policy of the University of Pannonia
b) Evaluation Policy for Assets and Liabilities of the University of Pannonia
c) Rules for Cost Accounting at the University of Pannonia
d) Cash Management Regulation of the University of Pannonia
e) System of Accounts of the University of Pannonia (hereinafter referred to as: “System of Accounts”)
f) Disposal Policy of the University of Pannonia

(2) The statutory regulations related to the accounting policy are issued as separate regulations in accordance with this Regulation.

8.§ Identifyication data and activities of the University

(1) The application of the accounting policy, the operation of the accounting system, the most typical basic data and parameters used in accounting:

a) Name: University of Pannonia

b) Registered address: 8200 Veszprém, Egyetem street 10.

c) Statistical code: 19310321-8540-563-19

d) Legal status: an independent legal entity, a higher education institution operating as a public benefit organisation

e) Management regime: private public benefit

f) Management form: autonomous institution of a foundation

g) For the application of reporting, bookkeeping and accounting provisions: other economic organisation

h) Operator: Foundation for the University of Pannonia

i) Method of book-keeping: double-entry book-keeping

j) Type of report: annual report

(2) Activities of the University:

a) The public benefit activities of the University are set out in its Deed of Foundation.

b) The University may carry out business activities in a manner that does not jeopardise its public benefit activities defined in the Deed of Foundation of the University.

(3) The University maintains HUF and foreign currency bank accounts at MBH Bank Nyrt., cash accounts at the Hungarian State Treasury for receiving grants from European Union funds, and an employee housing fund account at OTP Bank Nyrt. The list of bank accounts can be found in the Cash Management Regulation of the University of Pannonia.

(4) Tax status:

The University is a (domestic) taxpayer with respect to value-added tax.

The University's tax number: 19310321-4-19

The University's EU VAT number: HU17784571

The University's group identification number: 17784571-5-19

The University carries out both VAT-exempt and taxable activities in accordance with the provisions of Act CXXVII of 2007 on Value Added Tax (hereinafter referred to as the "VAT Act").

For VAT purposes, the University falls within the scope of group taxation as defined in Article 8 of the VAT Act.

The detailed rules applicable to group taxation (including the maintenance of separate records, preparation of returns and procedures for financial settlements) are set out in the document entitled "Presentation of the VAT Group Registration System", which is available on the University's website under the documents of the Directorate of Economic Affairs. The rules to be applied for accounting treatments are set out in the regulation entitled "System of Accounts of the University of Pannonia".

Chapter II: Reporting obligation

9.§ General rules on reporting obligations

(1) The University must prepare a report on its operations, assets, financial situation and income, after closing the accounts for the financial year, on the last day of the financial year, as required by law, signed by the Chancellor, indicating the place and date.

(2) The report must give a true and fair view of the assets and liabilities of the University, its financial situation and the results of its activities.

(3) Pursuant to the University's Deed of Foundation, the University's annual report, as defined by the Act, is adopted by the Senate of the University of Pannonia and submitted to the Board of Trustees. The Board of Trustees decides on the annual report.

(4) The annual report consists of a balance sheet, a profit and loss account and supplementary notes, as required by the Act.

(5) Pursuant to the NGO Act, the University, as a public benefit organisation, is obliged to prepare a public benefit statement simultaneously with the approval of

the report, which must be approved, deposited and published in the same manner as the report prepared in accordance with the Act.

(6) Anyone may inspect the report and the public benefit statement and make a copy at their own expense.

(7) In preparing the report, it must also be ensured that the revenues, costs, expenses and profit before tax of the public and business activities are presented separately.

(8) The University's report is prepared in Hungarian, its functional currency is the Hungarian forint, and the figures in its annual report are presented in thousands of forints.

10.§ The financial year

(1) The financial year is the same as the calendar year. The balance sheet date is the last day of the financial year, i.e. 31st December.

11.§ Balance sheet closing date

(1) The date, following the balance sheet date of the financial year, determined for each balance sheet item by which the valuation tasks necessary to present a true and fair view of the assets and liabilities can and must be performed.

(2) The balance sheet closing date is 28th February of the year following the balance sheet date of the financial year. An exception applies to the eligibility settlement of state aid, where the balance sheet closing date is 30th April of the year following the balance sheet date of the financial year.

12.§ Accounting services

(1) Accounting services include all the tasks to be performed in order to fulfil the obligation to keep accounts and prepare financial statements as provided for in the Act and the Decree (hereinafter referred to as: “accounting services”), as well as auditing activities.

(2) Accounting services include in particular:

a) the performance of tasks related to the development of accounting policies, accounting records, the system and method of preparing the report (including the development of the information system), the preparation and regular maintenance of the system of accounts, the preparation of the accounting and reporting regulations, including the keeping of general ledger records, the preparation of consolidated statements of accounts, the compilation of the report, the analysis of the data contained in the report and accounting records, and the drawing of conclusions on which economic decisions are based;

b) generating and providing accurate internal and external information, ensuring the legality, regularity and reliability of the accounts and the data contained in the report, their verifiability with supporting documents and the observance of the requirements of the basic accounting principles.

(3) Those preparing and reviewing the report must be licensed to carry out such activities.

(4) The University is obliged to employ a natural person who has a professional qualification as a chartered accountant or an equivalent professional qualification and a licence to perform the activity to manage and conduct the tasks within the scope of the accounting services and to prepare the report.

(5) According to the Decree, an audit is mandatory for organisations whose annual revenue exceeds HUF 600 million on average over the two financial years preceding the financial year.

(6) The University has appointed an auditor to carry out the auditing tasks through a tendering procedure.

(7) The Chancellor is responsible for the election, recall and remuneration of the auditor.

(8) Pursuant to Section (2) of Article 3:131 of Act V of 2013 on the Civil Code, the permanent auditor must be invited to the meeting of the Senate discussing the annual report of the University.

(9) In the supplementary notes to its annual report, the University

a) makes a specific and unambiguous reference to the audit requirement,

b) provides details of the auditor engaged to audit the report for the financial year under review, the fees charged by the auditor and the fees charged by the auditor for other assurance services, tax advisory services and other non-audit services during the financial year under review, separately aggregated.

13.§ Disclosure, publication

(1) The University deposits the annual report adopted by the Board of Trustees, the public benefit statement and the independent auditor's report including the auditor's certificate or the refusal to grant the certificate, by the last day of the fifth month following the balance sheet date of the financial year in the same form and content (wording) as the auditor's review of the annual report.

(2) The University complies with its publication obligation in accordance with the legislation in force by publishing the accounting report, the independent auditor's report including the auditor's certificate or the refusal to grant the certificate and the public benefit statement on its website and by sending them to the Education Authority.

Chapter III: The rules of bookkeeping

14.§ Method of bookkeeping

(1) In accordance with the provisions of the Act and the Decree, the University must keep its books of account in Hungarian, in HUF and in line with the rules of double-entry bookkeeping.

(2) The accounts are kept under the double-entry accounting system, given that the University is an organisation required to prepare its annual reports and a public benefit organisation.

(3) Accounting specificities set forth in the Decree:

a) In its bookkeeping practices, the University presents separately the income (revenue), expenses (costs) and expenditure relating to its core activities and its business activities.
b) The University keeps its accounts in such a way that the income (revenue), expenses (costs) and expenditure of the business activities are segregated

from the income, expenses (costs), expenditure and transactions of the core business activity, so that the results of the business activities for the year can be reliably identified.

c) In its books, the University separately accounts for donations received, public donations and their use, if the donation is certified as eligible for a tax deduction under the provisions of the Act on Corporate Tax and Dividend Tax.

d) The University allocates the expenses (costs) and expenditures related to core activities and business activities in proportion to the actual use (utilisation) or, if this cannot be determined, in proportion to the revenues of the core activities and the business activities.

e) In the profit and loss statement and in the profit and loss account, the University presents the figures for the previous year and the current year, as well as a separate presentation of material errors, broken down by core activity, business activity and total.

15.§ Accounting principles

(1) The University must apply the principles set out in Article 14 of the Act when preparing the accounts and keeping its books. Deviations from the principles may only be made in the cases and in the manner provided for in the Act and the Decree.

(1) General principle:

a) The going concern principle

In preparing the report and in keeping the accounts, it should be assumed that the University will be able to continue its operations and activities for the foreseeable future, and that there is no expectation of a cessation of operations or a significant reduction in operations for any reason.

(2) Principles on content:

a) The principle of completeness

The University must account for all transactions and events that have an effect on assets and liabilities and on the profit or loss for the year, including transactions and events that occur after the balance sheet date, but before the balance sheet closing date, and also those that arise from events

occurring during the financial year ending on the balance sheet date that have not taken place before the balance sheet date but became known before the balance sheet closing date.

b) The principle of authenticity

The items recorded in the accounts and included in the financial report must be real, provable and ascertainable by outsiders. Their valuation must be in accordance with the valuation principles and related valuation procedures laid down in the Act.

c) The matching principle

In determining the profit or loss for a given period, the recognised revenues and the corresponding costs (expenses) of the activities for the period must be taken into account, irrespective of the financial performance. Revenues and expenses must relate to the period in which they are economically generated.

d) The prudence principle

No profit or loss can be recognised if the financial realisation of revenues or income is uncertain. The determination of profit or loss for the year must take foreseeable risks and possible losses into account, even if known between the balance sheet date and the balance sheet closing date, by recognizing impairment losses and establishing provisions. Depreciation, impairment losses and provisions must be recognised whether or not the result for the financial year is a profit or loss.

(3) Supplementary principles:

a) The principle of priority of content over form

In the financial report and the accounting records supporting them, economic events and transactions must be presented and accounted for in accordance with their actual economic content, in accordance with the principles and relevant provisions of this act.

b) The principle of materiality

Material to the financial report is any information, the omission or misstatement of which – within the bounds of reasonableness – would affect

the reported amounts and the decisions of users. The classification of an item as material must be judged in conjunction with other similar items.

c) The principle of no-netting

Except as provided for in the Act, revenues and costs (expenditure), receivables and payables may not be offset against each other.

d) The principle of individual valuation

Assets and liabilities must be recorded and valued individually in the accounts and in the preparation of the financial report.

e) The principle of accruals

The effects of economic events that affect two or more financial years must be recognised in the income and expenses of that period in the same proportion as the difference between the underlying period and the accounting period.

f) The cost/benefit principle

The usefulness of the information presented in the financial report (balance sheet, profit and loss statement, supplementary notes) must be proportionate to the cost of producing the information.

(4) Principles on form

a) The principle of clarity

The accounts and the financial report must be presented in a clear, comprehensible and orderly form in accordance with the Act.

b) The principle of consistency

Consistency and comparability must be ensured in the content and form of the report and the accounting records supporting it.

c) The principle of continuity

The opening data for the financial year must be consistent with the corresponding closing data for the previous financial year. In subsequent years, the valuation of assets and liabilities and the recognition of profit or loss may change only in accordance with the rules laid down by law.

16. § The method of cost accounting

(1) In the University's books, costs are accounted for by cost element in the 5th class of accounts.

(2) The financial management system separates the costs of business and public benefit activities and monitors costs in accordance with internal management principles by means of cost centre/finance centre and function area accounting in the SAP-based Integrated Institution Management System (hereinafter referred to as: “IIMS”). The function area is used to designate faculties, comprehensive organisational units and organisational units.

17.§ Requirements on supporting documents and recordkeeping requirements, accounting documents

(1) At the University, the issue, receipt, handling, processing, dealing with the form and content of supporting documents and their strict accounting must be carried out in accordance with the provisions of Articles 165-168 and 169 of the Act.

18.§ Decisions related to the establishment of the system of accounts

(1) The Director of Economic Affairs is responsible for the establishment of the system of accounts, its continuous maintenance and the correctness of up-to-date accounting.

(2) The University's system of accounts is governed by specific rules.

19.§ General ledger and analytical accounts

(1) The general ledger accounts show changes in assets and liabilities in a realistic, continuous, closed and transparent manner, supporting the data of the balance sheet and profit and loss account. The University supports the data in the supplementary notes with general ledger accounts, analytical accounts, supporting inventories and accounting records.

(2) The Director of Economic Affairs is responsible for the establishment, maintenance and operation of the general ledger, with the professional involvement of the Head of Accounting.

(3) The designation and content of the general ledger accounts used in general ledger accounting, as well as the most common account interrelationships, are set out in the system of accounts. The system of accounts also regulates the analytics related to each account.

(4) Additional detailed records must be kept in close connection with the general ledger, in order to ensure the possibility of data reconciliation, if required by law or internal regulations, or if the requirement for transparency or the volume of data justifies it.

(5) The consistency of the analytical records and the general ledger is ensured by built-in workflow checks, which are mandatory during the balance sheet preparation.

(6) It uses the IIMS for general ledger accounting, keeping analytical records and other related data processing.

(7) In the University's accounting information system, data are processed in groups of entitlements. The IIMS system includes the following connected modules:

AA (Asset Accounting): This module manages the business activities related to the institution's assets (asset management), the maintenance of master data, the breakdown of asset classes and inventory activities.

CO (Controlling): This is where the costs associated with the activities of the institution are collected, reported and then allocated to the activities on the basis of specific indicators.

FI (Financial Accounting): In cooperation with the other modules, this module performs the bookkeeping and accounting tasks, for example general ledger accounting is performed here in accordance with the current legislation, and the management of supplier and customer current accounts, the processing of bank statements, cash registers and VAT returns are also carried out here.

KVM (Budget Management): In this module, the processes covering the full range of budget management are managed.

MM (Materials Management): It covers the overall processes of procurement and invoice control, the processes of logistics on the supplier side (the management of the status of purchase requisitions, the registration of

contracts and purchase orders and then the confirmation of delivery or receipt of goods and the registration of supplier invoices).

SD (Sales and Distribution): This module is used to manage the processes associated with sales (customer) orders, which includes all the data required for invoicing.

HR (Human Resources): This is where the full range of payroll and employment master data registers are kept and payroll accounting is carried out as part of personnel administration.

(8) Within the accounting system, the data of each module can be completely separated, while at the same time allowing aggregation of data to financial management level.

(9) The IIMS is able to provide university-wide financial management data through modules. The interconnection of modules, internal automation and single data capture ensure interoperability, consistency and secure operation.

(10) The requirements for the general ledger and analytical accounting modules include compliance with the statutory accounting and reporting obligations and, together with the budget management module, the supporting of the internal management of the University and the provision of information necessary for financial management.

Chapter IV: Priority rules for the valuation of assets and liabilities

20.§ Determination of acquisition costs

(1) Acquisition costs are determined in accordance with the provisions of Articles 47-51 of the Act.

(2) The detailed rules for the acquisition cost of assets are set out in the Evaluation Policy for Assets and Liabilities of the University of Pannonia and, in the case of own activities, in the Rules for Cost Accounting at the University of Pannonia.

21.§ Method for determining the degree of completion and readiness

(1) The degree of completion is the term used for the accounting of contracts, while the degree of readiness is the term used for work in progress and semi-finished products.

The University does not manufacture products, so this method is not relevant.

22.§ Value of irrecoverable receivables

(1) The University considers receivables pursuant to paragraphs a) to g) of Section (4) of Article 3 of the Act as irrecoverable.

(2) The University regards as irrecoverable receivables of a small amount those receivables for which the costs of enforcement are disproportionate to the amount expected to be recovered.

(3) In addition to a request for voluntary payment, no forcible collection for receivables under the threshold of HUF 100k is required.

23.§ Rules for accounting for scheduled depreciation

(1) Depreciation is recognised on the basis of the acquisition cost of assets. The cost (acquisition or production) value of intangible and tangible assets less the residual value at the end of their useful lives is allocated over the years in which the assets are expected to be used by the University.

(2) The rate of depreciation in relation to the gross value must be calculated taking into account the expected use of the individual asset, its useful life, physical wear and tear and moral deterioration and the circumstances of the activity, and must be applied from the date when it it taken into use for its intended purpose, following its recording in the accounts.

(3) The University determines the amount of residual value based on information available at the date of putting the asset into use, using the market value of an asset of a similar age at the date when the asset was put into use. If the asset is not expected to have a significant residual value at the end of its useful life, the residual value is treated as zero. It is insignificant also if the asset can be sold

dismantled or as waste or for purposes other than its intended purpose, or if the asset is not expected to be available for sale.

(4) The University determines depreciation on a straight-line basis over time in relation to acquisition costs, except for fixed assets with a cost of less than HUF 200,000.

(5) The University must depreciate the cost of rights representing assets, intellectual property and tangible assets with an individual acquisition value of less than HUF 200,000 in one lump sum at the time when they are put into use.

(6) The detailed rules for the accounting of scheduled depreciation are set out in the Evaluation Policy for Assets and Liabilities of the University of Pannonia.

24.§ Accounting rules for extraordinary depreciation and depreciation reversal

(1) Pursuant to Section (1) of Article 53 of the Act, extraordinary depreciation must be used on intangible and tangible assets if

a) the book value of an intangible or tangible asset (excluding investments and renovation) is permanently and significantly higher than the market value of that asset;

b) the value of the intangible or tangible asset (including investments) is permanently impaired because the intangible or tangible asset (including investments) has become redundant due to a change in activities or is unusable for its intended purpose due to damage, destruction or shortage;

c) in the case of a right representing assets, it can only be enforced to a limited extent or not at all due to a modification of the contract.

(2) The detailed rules for the recognition and reversal of extraordinary depreciation are set out in the Evaluation Policy for Assets and Liabilities of the University of Pannonia.

25.§ Value adjustment

(1) The University does not make use of the possibility of value adjustments.

26.§ Valuation at fair value

(1) The University does not apply the rules on valuation at fair value to a specific class of financial instruments.

27.§ Accounting for impairment loss and reversal of impairment

(1) No profit or loss can be recognised if the financial realisation of revenues or income is uncertain. The determination of profit or loss for the year must take foreseeable risks and possible losses into account, even if known between the balance sheet date and the balance sheet closing date, by recognizing impairment losses and establishing provisions. Impairment losses must be recognised whether or not the result for the financial year is a profit or loss (the prudence principle).

(2) The following assets are impaired at the University:

a) an investment representing ownership interest in an economic organisation,
b) debt securities with a maturity of more than one year,
c) receivables not settled until the balance sheet closing date,
d) stocks purchased.

(3) The detailed rules for the recognition and reversal of impairment losses are set out in the Evaluation Policy for Assets and Liabilities of the University of Pannonia.

28.§ Valuation of foreign currency items

(1) When determining the HUF value of foreign currency in the foreign currency account, foreign currency receivables, fixed financial assets, securities or liabilities, the University converts the foreign currency into HUF at the official exchange rate published by the National Bank of Hungary (hereinafter referred to as 'MNB').

(2) The University accounts for foreign currency using the moving average price method.

(3) At the balance sheet date, foreign currency on the foreign currency account and all receivables, fixed financial assets, securities and liabilities denominated in foreign currencies must be stated in the balance sheet at the HUF value converted at the MNB exchange rate prevailing at the balance sheet date.

(4) The effect of exchange rate differences on profit or loss: the difference between the book value of foreign currency on the foreign currency account and receivables, financial assets, securities or liabilities denominated in foreign currencies before valuation at the balance sheet date and its value in HUF at the valuation date:

a) if the consolidated balance is a loss, the balance is recorded as a foreign exchange loss under other expenses of financial operations,

b) if the consolidated balance is a profit, the balance is recorded as a foreign exchange gain under other income from financial operations.

29.§ Provisioning

(1) Provisions must be made against the profit before tax to the extent necessary to cover payment obligations to third parties arising from past or ongoing transactions or contracts [including in particular statutory guarantees and contingent liabilities, (future) liabilities, early retirement, payment obligations arising from dismissal pay, environmental liabilities] that are probable or certain to exist at the balance sheet date but for which the amount or timing of the obligation is uncertain and for which the necessary funding has not been provided.

30.§ Recording of the capitalised value of intellectual products and experimental development resulting from R&D activities

(1) Pursuant to Article 25 of the Act, the capitalised value of intangible assets may include the invoiced amount of the experimental development and the direct costs incurred in the course of the taxpayer's own activity that are recoverable through revenues and incurred for the result of the experimental development, which cannot be included in a capitalisable product (intellectual product, inventory, tangible asset) because they exceed the expected market price of the product created.

In addition, direct costs of experimental development in progress but not yet completed before the balance sheet date may be recorded as the capitalised value of experimental development. In such a case, the capitalised value of the experimental development includes not only the incremental costs of the experimental development but also the direct costs of products that may be included in inventories, tangible assets or intangible assets at a later date, when the experimental development is completed, by reducing the capitalised value of the experimental development.
Costs for basic and applied research, as well as indirect and general costs for experimental development, cannot be capitalised.
The legal requirement to recognise the capitalised value of experimental development in the accounting records is not mandatory, but optional.

(2) The impact of the activation of experimental development on the University's financial results:
The experimental development can be financed by funds from the government/operator, grants or own resources. In the case of grant-funded development, there is no impact on profit or loss, as the grant income is recognised in the period in which it is expensed, and in the case of capitalisation, the cost is depreciated over the life of the project and the grant income is recognised in line with this. In the case of self-financed developments (own resources), if recognised as a cost, the cost is recognised when it is incurred, whereas in the case of capitalisation, the cost is recognised over a number of years (depreciation).

At the University, the source of the intellectual product created in-house is entirely grant-funded, with a few exceptions, so the capitalisation of experimental developments has no impact on profit or loss.

(3) Having considered the legal possibility of capitalising experimental developments and taking into account the impact on profit or loss, and having examined the professional, administrative and record-keeping tasks related to the capitalisation and their monetary value, the University does not make use of the capitalisation option provided for in the Act.
The costs related to experimental developments are recognised in the current year.

(4) Experimental developments and the inventories, tangible assets and intellectual products created in the course of R&D activities are not posted in the accounting records, but are recognised in off-balance-sheet accounts. Details of

these accounts are set out in the Regulation on the Management of Intellectual Property.

Chapter V: Rules on accounting closures

31.§ General rules for closing accounts

(1) The University, as an entity using double-entry book-keeping, must prepare a general ledger extract from its accounts at the period of its choice, but at least before the preparation of the accounts and before the submission of the reports based on accounting data and required by other legislation, to support the accounts.

(2) The timing of entering accounting records in the books must be carried out in accordance with the regulations, and the timing of the closing and valuation tasks (in particular reconciliations, items resulting from valuations, items carried over between financial years and the determination and accounting treatment of items for annual accounting) must be adapted to the preparation of the report.

(3) Closing dates:

a) Monthly accounts must be drawn up by the 20th day of the month following the month under review.

b) Quarterly accounts must be drawn up by the 20th day of the month following the quarter under review.

c) Annual accounts must be drawn up by the balance sheet closing date.

d) The Directorate for Economic Affairs (hereinafter referred to as: “DEA”) is responsible for the organisation and primary implementation of the closing tasks.

   In the preparation of the detailed analytical statements, data are provided by the partner directorates to support the reconciliations.

32.§ Rules for the monthly close

(1) Tasks to be performed in connection with the monthly close:

a) reconciliation of the balances of the corresponding general ledger accounts with the data of the last bank statement of the month;

b) reconciliation of the balance of the general ledger cash account with the data of the last cash report;

c) carrying out analytical accounting tasks and “mixed” accounting tasks;

d) reconciliation of the general ledger and the analytical accounts regarding fixed assets;

e) reconciliation of the general ledger and the analytical accounts regarding purchased stocks;

f) the accounting of scheduled depreciation;

g) VAT-related accounts;

h) accounts relating to personnel expenses.

33.§ Rules for the quarterly close

(1) Tasks to be performed in connection with the quarterly close:

a) carrying out the tasks in connection with the monthly close;

b) performing reclassifications between tangible assets and inventories;

c) accounting for the amount of extraordinary depreciation, if necessary;

d) reconciliation of the general ledger and the analytical accounts regarding receivables and liabilities;

e) making accruals for costs and expenses incurred in the period under review in relation to grant advances and support from the government/operator.

34.§ Rules for the annual close

(1) Tasks to be performed in connection with the annual close:

a) carrying out tasks related to the monthly and quarterly close;

b) accounts relating to the inventory at the balance sheet date;

c) accounting for accruals;

d) the settlement of irrecoverable receivables;

e) closing cost accounts;

f) closing asset and liability accounts;

g) accounting for corrections;

h) closing supplementary, corrective and technical accounts.

35.§ Rules for accounting for opening adjustment items

(1) Tasks to be carried out as part of the annual opening:

a) opening general ledger accounts in classes 1-4;

b) reversal of accruals;

c) transfer of profit or loss to the accumulated profit reserve account.

Chapter VI: Relationship between the balance sheet and the inventory

36.§ Supporting the balance sheet by inventory

(1) An inventory is a record that shows, in an itemised and verifiable manner, the assets and liabilities of the University at the balance sheet date, both in quantity and value. Its primary purpose is to support the veracity of the balance sheet entries and to check and reinforce documentary discipline, as well as to verify the correctness of the accounts and protect property.

(2) For the purpose of closing the books at the end of the financial year, preparing the report and supporting the balance sheet items, an inventory must be drawn up and kept in accordance with the law. In fulfilling this obligation, the University must reconcile the general ledger with the analytical accounts at the balance sheet date of the financial year.

(3) The detailed rules of taking inventory are set out in the Inventory Control and Inventory Preparation Policy of the University of Pannonia.

Chapter VII: The annual report

37.§ Form and content of the annual report

(1) The annual report must give a true and fair view of the assets, liabilities, financial situation and profit or loss of the University and of changes therein. It must include all the assets, equity capital, provisions and liabilities (including accruals and deferrals), income and expenditure for the period under review, profit after tax and the information and explanatory notes necessary to show a true and fair view of the assets, liabilities, financial situation and profit or loss of the University.

(2) The comparability of annual reports for successive financial years must be ensured by consistency in the structure, division and content of the balance sheet and profit and loss statement, and in the principles and procedures for the valuation of balance sheet items.

(3) The University must draw up the balance sheet in accordance with version "A" of Annex 1 to the Act, as detailed in *Annex 1* herein.

(4) The University must prepare the profit and loss statement on the basis of Annex 2 to the Act, using the total cost method, as detailed in *Annex 2* herein.

(5) The supplementary notes must be drawn up in accordance with the provisions of Articles 88-94 of the Act.

(6) As part of the supplementary notes, the University must prepare a Cash Flow Statement in accordance with Annex 7 to the Act.

(7) Pursuant to Section (3a) of Article 8 of the Decree, the University, as a "miscellaneous organisation" required to prepare annual reports, is not required to prepare a business report.

(8) The University, as an organisation with public benefit status, is obliged to prepare a public benefit statement at the same time as its financial report, in accordance with the provisions of the CSO Decree.

38.§ Balance sheet and profit and loss statement

(1) In the balance sheet and profit and loss statement, the corresponding data for the previous financial year must be shown for each item. If the figures are not comparable, this must be shown and justified in the supplementary notes to the report.

(2) If the audit has identified material misstatement(s) in the annual reports for the previous financial year(s), the adjustments for the previous year(s), which are known and not disputed, appealed or finalised by the balance sheet closing date, must be presented in the balance sheet and the profit and loss statement alongside the previous year's figures for each item, and do not form part of the profit and loss statement for the current year. In such a case, both the balance sheet and the profit and loss statement will use separate columns to show the data for the previous financial year, the adjustments for the closed financial year(s) and the data for the current year.

(3) The balance sheet and the profit and loss statement are not further detailed beyond the classification in accordance with the Act, and the University does not merge the items indicated by arabic numerals within a group, nor does it omit the lines indicated by arabic numerals for which no data are available either in the current year or in the previous year.

(4) The descriptions of the content of the balance sheet and the profit and loss statement lines are contained in the System of Accounts of the University of Pannonia and the Evaluation Policy for Assets and Liabilities of the University of Pannonia.

39.§ Content of the supplementary notes

(1) The supplementary notes must include the numerical data and textual explanations required by the Act, as well as all the data necessary for providing a reliable and fair presentation of the assets, financial situation and results of operations of the University to the University's management and the Operator, in addition to those included in the balance sheet and the profit and loss statement. The supplementary notes must also include information on specific activities required by other legislation.

(2) The data and explanations included in the supplementary notes to the balance sheet and profit and loss statement must be presented in the order in which the items appear in the balance sheet and profit and loss statement.

(3) The content of the Supplementary Notes typically includes the following main elements:

1. General:
   a) an introduction of the University,

b) the financial circumstances of the financial year,
c) the publication of the report, the contributors,
d) the method of bookkeeping, the currency of accounting,
e) the accounting rules applied,
f) changes in the accounting policy during the year,
g) the form and type of the financial report chosen, currency,
h) the balance sheet closing date,
i) the interpretation of material errors and deviations,
j) valuation of foreign currency items, exchange rate used, changes in foreign currency valuations,
k) accounting for depreciation, method of depreciation, depreciation of low-value assets, insignificant residual value, accounting for extraordinary depreciation, changes in the accounting for depreciation,
l) accounting for impairment, application of reversals,
m) valuation of purchased stocks,
n) creation of provisions or explanations for the non-recognition of provisions,
o) other changes in valuation rules,
p) inventory rules and their mid-year changes,
q) cash management rules and their mid-year changes.

2. Analyses:
a) Changes in data,
b) Distribution of balance sheet items,
c) Financial situation,
d) Liquidity and solvency,
e) Profitability,
f) Cash flow.

3. Specific section:

a) Additions to the balance sheet:
- comparability, non-comparable figures,
- balance sheet structure, off-balance sheet items,
- changes in gross and net value of fixed assets,
- changes in depreciation (scheduled and extraordinary),
- changes in current assets,
- changes in receivables,
- composition and changes in accruals and deferred income,
- presentation of equity capital, changes in its components,

- changes in provisions, changes in liabilities,
- composition and changes in deferred income and accrued expenses.

b) Additions to the profit and loss statement:
- changes in previous years,
- changes in revenue,
- presentation of revenue of exceptional size or occurrence,
- presentation of grants received,
- presentation of capitalised production,
- evolution of costs,
- evolution of expenses,
- presentation of services used,
- presentation of financial income and expenses,
- assessment of corporation tax,
- evolution of profit,
- other specificities related to profit.

4. Memorandum items
a) Items related to capital operations
b) Items related to transformation, merger, separation
c) Presentation of executive officers
d) Remuneration of executive officers, advances, loans
e) Exceptional benefits
f) Auditor's fees
g) Salary and headcount data
h) Environment, hazardous waste management
i) Other data necessary for a reliable and fair overall picture.

(4) In the case of items where presentation is required by law, but no related item is included in the financial report, the fact of non-relevance is included in the supplementary notes.

40.§ Content of the public benefit statement

(1) Since the University carries out public benefit activities, the public benefit statement is a document evidencing that the financial management of the University is in line with the public benefit requirements and has adequate resources and social support for the performance of the public benefit activity.

(2) At the same time as approving the report, the University is obliged to prepare a public benefit statement, which must be deposited in the same way as the report.

(3) Content of the public benefit statement:

a) the identification details of the University,

b) a description of the public benefit activities carried out during the year,

c) presentation of grants for the purpose,

d) benefits for senior management,

e) indicators required for determining public benefit status.

Chapter VIII: The meaning and criteria for material, significant and exceptional value for accounting purposes

41.§ Criteria for materiality and significance

(1) Based on the principle of materiality, any information, the omission or misstatement of which would affect the data in the financial report and the user's decisions, is material to the financial report. The classification of an item as material must be judged in conjunction with other similar items.

Material information:

a) The amount of the provision made and the amount of its use must be presented in the supplementary notes, broken down by item. If the amount of the provision made under each heading differs significantly from the amount for the previous year, this must be explained in the supplementary notes. The University considers a difference of more than 20% compared to the base value to be material (Section (8) of Article 41 of the Act).

b) If there has been a material change in the circumstances taken into account in determining (planning) the depreciation to be recognised each year (in the period of use of the asset, the value of the asset and the expected residual value), the scheduled depreciation recognised may be changed, however, the quantified impact of the change on the result must be shown in the

supplementary notes. In this regard, the University considers a change of more than 20% in the recognised annual depreciation of an asset to be material (Section (5) of Article 53 of the Act).

c) The nature, business purpose and financial impacts of off-balance sheet items and off-balance sheet arrangements not specifically required to be disclosed pursuant to the Act must be presented in the supplementary notes if the risks or benefits arising from such items and arrangements are material and their presentation is necessary for an understanding of the financial situation of the University. In this regard, the University considers transactions exceeding HUF 100 million to be material (paragraph c) of Section (3) of Article 90 of the Act).

(2) In addition to Section (1), an amount that has a significant actual or potential impact is considered material for accounting and valuation purposes.

(3) Significant: in the absence of a specific provision to the contrary in the Accounting Policy of the University of Pannonia or the Evaluation Policy for Assets and Liabilities of the University of Pannonia, items are considered significant for the purposes of presentation in the financial report or the supplementary notes if they exceed 10% of the numbered lines of the balance sheet or the profit and loss statement, but at least HUF 50 million.

The following are considered significant under specific provisions to the contrary of the above:

a) The acquisition (purchase) cost includes the difference arising from the actual invoicing or subsequent adjustment, if significant. The University considers a change of more than 10% of the previously recognised cost to be significant (Section (9) of Article 47 of the Act).

b) For the purpose of determining scheduled depreciation, the expected residual value of an asset at 20% of its acquisition cost is considered to be significant.

c) For the valuation of equity and debt securities, a value in excess of 20% of their acquisition cost is considered significant.

d) For the valuation of receivables, a value exceeding 20% of the individual value of the receivable is considered significant.

e) The supplementary notes must include the major amounts of accrued income, deferred charges, accrued expenses and liabilities, and deferred income, as well as their changes over time. The University classifies items which individually amount to 20% of the relevant balance sheet item as significant among the relevant balance sheet items (Section (1) of Article 90 of the Act).

f) The supplementary notes must explain the reasons for the recognition of significant amounts of extraordinary depreciation or reversals thereof. The University considers an extraordinary depreciation to be significant if it reaches 20% of the cost value of the asset (Section (2) of Article 92 of the Act).

g) The supplementary notes must include the net revenue of sales broken down by main activity wherever the activities or services differ significantly. The University considers it significant if the net revenue of any of the activities other than those listed under TEÁOR 8540 exceeds HUF 100 million.

h) The supplementary notes must provide details of the significant cost items of the services used, broken down by title. The University considers the types of service costs representing at least 20% of the services used as significant.

(4) Long-term: unless otherwise specified by law or other parts of the accounting policy, a period of more than one year (365 calendar days) is considered to be long-term (a change of more than 1 year).

IX. Audits and self-revisions

42. § Post-audit, self-revision or tax authority audit of the data for the financial year(s) for which reports have been adopted by the Board of Trustees of the Operator

(1) The University determines which assets and liabilities are affected by the detected error, and the additional impact of the detected error.

(2) The impacts of material errors relating to prior years must be carried forward to the first day of the year in which the error is detected and presented alongside

the data for the previous year, separately from the year in which the error is detected in the balance sheet, the profit and loss statement and in the supplementary notes to the annual report, broken down by year.

(3) In the case of material errors, the impacts on assets and liabilities in the year of the error detection must be recorded as at the first day of the year, with the impact on profit or loss being adjusted directly to the accumulated profit reserve.

(4) We consider an error to be immaterial if the aggregate (irrespective of its sign) of the errors or impacts of errors recognised in the year of detection of the error, which may increase or decrease profit or loss or equity capital, does not exceed 2 percent of the balance sheet total of the audited financial year, i.e. the material threshold. The impacts of immaterial errors must be settled in the current year's accounts.

Chapter X: Final provisions

43.§ Effective date, approval

(1) The University makes this Regulation public by publishing it on its website (www.uni-pannon.hu).

(2) This Regulation was adopted by the Senate at its meeting of 26th February 2026, by Senate Resolution 47/2026. (II.26.).

(3) This Regulation enters into force on 1st March 2026.

(4) This Regulation is valid until revoked.

(5) When this Regulation enters into force, the “Accounting Policy of the University of Pannonia” adopted by Resolution 99/2024. (V.22.) will be repealed.

(6) Annexes to this Regulation:

Annex 1: Required structure of the balance sheet (Version ‘A’)
Annex 2: Required structure of the profit and loss statement (with the total cost method)

Dated in Veszprém, on 26th February 2026

Dr. János Abonyi	Zsolt Csillag
Rector	Chancellor

Approved on behalf of the Foundation for the University of Pannonia, acting as Operator:

Dated in Veszprém, on 26th February 2026

Dr. Péter Bartus

Executive Director

Required structure of the balance sheet, version 'A'

Assets

A. Invested assets

I. Intangible assets
1. Capitalised value of original contribution-restructuring
2. Capitalised value of research and development
3. Rights representing assets
4. Intellectual property
5. Goodwill
6. Advances and prepayments on intangible assets
7. Adjusted value of intangible assets

II. Tangible assets
1. Land and buildings and rights to immovables
2. Plant and machinery, vehicles
3. Other equipment, fixtures and fittings, vehicles
4. Breeding stock
5. Assets in course of construction
6. Payments on account
7. Adjusted value of tangible assets

III. Financial investments
1. Long-term participations in affiliated undertakings
2. Long-term loans to affiliated undertakings
3. Long-term major participating interests
4. Long-term loans to undertakings linked by virtue of major participating interests
5. Other long-term participations
6. Long-term loans to other undertakings linked by virtue of participating interests
7. Other long-term loans
8. Long-term debt securities
9. Adjusted value of financial investments
10. Valuation difference of financial investments

IV. Deferred tax assets

B. Current assets

I. Inventories
1. Raw materials and consumables
2. Work in progress, intermediate and semi-finished products
3. Animals for breeding and fattening and other livestock
4. Finished products
5. Goods
6. Advances and prepayments on inventories

II. Receivables
1. Accounts receivables
2. Receivables from affiliated undertakings
3. Receivables from undertakings linked by virtue of major participating interests
4. Receivables from other undertakings linked by virtue of participating interests
5. Bills receivable
6. Other receivables
7. Valuation difference of receivables
8. Positive valuation difference of derivative transactions

III. Securities
1. Participation in affiliated undertakings
2. Major participating interests
3. Other participations
4. Own shares and own partnership shares
5. Debt securities held for trading
6. Valuation difference of securities

IV. Liquid assets
1. Cash in hand, cheques
2. Bank deposits

C. Accrued and deferred assets

1. Accrued income

2. Accrued expenses
3. Deferred expenses

Total assets

Equity and liabilities

D. Shareholders' equity

I. Subscribed capital
of which: ownership shares repurchased at face value
II. Subscribed capital unpaid (-)
III. Capital reserve
IV. Accumulated profit reserve
V. Tied-up reserve
VI. Revaluation reserve
1. Valuation reserve for adjustments
2. Fair value reserve
VII. Profit after taxes

E. Provisions

1. Provisions for forward liabilities
2. Provisions for forward expenses
3. Other provisions

F. Liabilities

I. Subordinated liabilities
1. Subordinated liabilities to affiliated undertakings
2. Subordinated liabilities to undertakings linked by virtue of major participating interests
3. Subordinated liabilities to other undertakings linked by virtue of participating interests
4. Subordinated liabilities to other economic entities

II. Long-term liabilities
1. Long-term loans received
2. Convertible bonds
3. Debts on issue of bonds

4. Investment and development credits
5. Other long-term loans
6. Long-term liabilities to affiliated undertakings
7. Long-term liabilities to undertakings linked by virtue of major participating interest
8. Long-term liabilities to other undertakings linked by virtue of participating interest
9. Other long-term liabilities
10. Deferred tax liabilities

III. Current liabilities
1. Short-term credits
– of which: convertible bonds
2. Short-term loans
3. Advances received from customers
4. Accounts payable
5. Bills payable
6. Short-term liabilities to affiliated undertakings
7. Short-term liabilities to undertakings linked by virtue of major participating interest
8. Short-term liabilities to other undertakings linked by virtue of participating interest
9. Other short-term liabilities
10. Evaluation difference of liabilities
11. Negative evaluation difference of derivative transactions

G. Accrued and deferred liabilities
1. Deferred income
2. Deferred expenses
3. Accrued income

Total equity and liabilities

Annex 2

Required structure of the profit and loss statement (with total cost method)

01. Net domestic sales
02. Net external sales
I. Total net sales (revenues) (01+02)

03. Variation in stocks of finished goods and in work in progress
04. Own work capitalised
II. Own performance capitalised (±03+04)

III. Other income
of which: impairment loss reversed

05. Raw materials and consumables
06. Value of services consumed
07. Value of other services
08. Acquisition cost of goods sold
09. Value of services sold (intermediated)
IV. Material costs (05+06+07+08+09)

10. Wages and salaries
11. Other employee benefits
12. Contributions on wages and salaries
V. Staff costs (10+11+12)

VI. Depreciation

VII. Other operating charges
Of which: impairment loss

A. Operating profit or loss (I±II+III–IV–V–VI–VII)

13. Dividends and profit-sharing (received or due)
Of which: from affiliated undertakings
14. Income from participating interests, capital gains
Of which: from affiliated undertakings
15. Income from financial investments (securities, loans), capital gains

Of which: from affiliated undertakings
16. Other interest and similar income (received or due)
Of which: from affiliated undertakings
17. Other income from financial transactions
Of which: valuation difference
VIII. Income from financial transactions (13+14+15+16+17)

18. Expenses and losses on participating interests, capital gains
Of which: to affiliated undertakings
19. Expenses on financial investments (securities, loans), losses
Of which: to affiliated undertakings
20. Interests payable (paid) and similar charges
Of which: to affiliated undertakings
21. Losses on shares, securities, long-term loans and bank deposits
22. Other expenses of financial transactions
Of which: valuation difference
IX. Expenses on financial transactions (18+19+20+21+22)

B. Profit or loss from financial transactions (VIII–IX)

C. Income before taxes (±A±B)

X. Tax payable

X/1 Deferred tax difference (±)

D. Profit after taxes (±C–X)