

NON OFFICIAL TRANSLATION

“Ratified by”
The President of the Republic of Armenia
Robert Kocharyan
22 February 2005

GOVERNMENT OF THE REPUBLIC OF ARMENIA

DECISION

No. 123-N of 3 February 2005

**ON APPROVING THE PROCEDURE FOR CONDUCTING QUALIFICATION
EXAMINATIONS FOR AUDITORS AND THE EXAMINATION PROGRAMME**

In accordance with Article 21(1) of the Law of the Republic of Armenia on Auditing and Article 13(1) of the Law of the Republic of Armenia on Licensing, the Government of the Republic of Armenia decides to:

1. Approve:

- (a) the procedure for conducting qualification examinations by the authorised body in accordance with Annex No. 1;
- (b) the qualification examination programme of auditors in accordance with Annex No. 2.

1.1. Define that the auditors qualified as a result of examinations conducted by the International Federation of Accountants in line with its educational standards, and that the specialists having passed the examinations, which were conducted by non-governmental organisations - prior to their accreditation - operating in the Republic of Armenia in line with the said educational standards, are considered as having passed the examinations. The authorised public administration body of the Republic of Armenia shall - based on the documents verifying the requirements referred to in this point - grant a qualification certificate of an auditor to those specialists within seven days upon submission of their application.

(point 1.1. supplemented by No. 1009-N of 14 August 2008)

2. This Decision shall enter into force on the tenth day following its official publication.

Prime Minister of the Republic of Armenia

A. Margaryan

14 February 2005

Yerevan

Annex No. 1

to the decision of the Government of the Republic of Armenia

No. 123-N of 3 February 2005

PROCEDURE

**FOR CONDUCTING QUALIFICATION EXAMINATIONS FOR AUDITORS BY THE
AUTHORISED BODY**

1. This procedure shall regulate relations pertaining to arrangement and conduct of qualification examinations for auditors by public administration body authorised by the Government of the Republic of Armenia for licensing auditing services (hereinafter referred to as “the authorised body”).

2. Qualification of auditors shall mean the procedure for granting qualification certificate of an auditor (hereinafter referred to as “certificate”) - meeting the requirements (point 3 of this Procedure) specified in Article 22 of the Law of the Republic of Armenia on Auditing (hereinafter referred to as “the Law”) - based on the results of testing professional knowledge of an individual (hereinafter referred to as “applicant”) who has applied to the authorised body for obtaining such certificate. Qualification of auditors shall be carried out through examinations.

3. Nationals of the Republic of Armenia, foreign nationals and stateless persons possessing the following qualifications may participate in qualification examinations for auditors:

(a) higher education in Economics and at least three years of professional experience within the five years preceding the day of submitting an application for obtaining a certificate, or

(b) higher education and at least five years of professional experience within the seven years preceding the day of submitting an application for obtaining a certificate.

Auditors, which have been declared through judicial procedure as having no or limited capacity or has been deprived of the right to hold a certain position or undertake certain activity in the field of financial-economic relations, shall be prohibited to participate in qualification examinations.

4. For participating in qualification examinations for auditors professional occupation shall be deemed to be the work of an auditor, head of audit firm, deputy head of audit firm on professional occupation affairs, heads and deputy heads of structural subdivisions, assistant auditor, as well as the work of methodologist, specialist, expert, supervisor, advisor, scientific worker, and lecturer in the accounting, financial, audit, and economic fields.

5. Qualification examinations for auditors shall be conducted by Qualification Commission of Auditors (hereinafter referred to as “the Commission”) established by the authorised body. The Commission shall comprise at least nine members including one representative from the Central Bank of the Republic of Armenia and one representative from the Securities Commission of the Republic of Armenia. The number of the representatives from the authorised body in the composition of the Commission may not be less than four. Head of the Commission shall be appointed by the Deputy Minister coordinating the activities of relevant structural subdivisions of the authorised body.

6. Examinations may be conducted no sooner than two months following the official publication of the programme of qualification examinations for auditors approved by the Government of the Republic of Armenia (hereinafter referred to as “programme”), as well as the questions (tests) and sample problems approved by the authorised body.

(point 6 supplemented by No. 2061-N of 1 December 2005)

7. The staff of the authorised body shall prepare examination questions (tests) and problems (hereinafter referred to as “list of questions”) and enter them into the computer. Each question (test) shall contain three or four multiple-choice answers, one of which shall be the right answer.

The total number of questions (tests) entered into the computer may not be less than one thousand, and the number of problems may not be less than sixty. The list of questions should not contain provisions other than those provided for by the legislation or state agency regulatory acts of the Republic of Armenia.

8. In order to participate in examination, the applicant shall submit:

- (a) an application in the form approved by the authorised body;
- (b) a copy of passport;
- (c) a copy of higher education diploma;
- (d) an excerpt from the employment history or a copy thereof and/or a copy of civil law contract and a statement verifying the performance of the contract;
- (e) two photos, sized 3cm x 4cm;
- (f) an original document verifying the payment of the state fee.

9. The applications shall be processed by the relevant structural subdivision of the authorised body not later than within 15 working days after the submission of necessary documents. In case of incomplete submission of the documents referred to in point 8 of this Procedure, the applicant shall be informed accordingly orally or in writing within 15 working days referred to in this point, or in case of incompliance with the requirements of point 3 of this Procedure, the applicant shall be informed

accordingly in writing within the same period, and the application for participation in the examination shall be rejected. Failure to submit the original document verifying the payment of the state fee - when submitting the documents - shall not serve as a ground for rejecting the application, provided that the applicant submits the fee payment receipt before the commencement of the examination.

The applicant who fails to pay the state fee may not sit the examination.

(point 9 edited by No. 1009-N of 14 August 2008)

10. Examinations shall be conducted on regular basis within the intervals determined by the authorised body, but shall at least be once in three months, provided at least one application meeting the requirements of point 3 of this Procedure is filed. The applicant shall be notified of the date, time and venue of the examination at least seven days prior to the examination.

(point 10 amended by No. 1009-N of 14 August 2008)

11. The applicant shall be allowed to sit the examination only upon producing a passport or another identification document. Applicants failing to produce an identification document, as well as applicants having showed up after commencing the examination may not sit the examination of the given day.

12. The examinations shall be conducted in two stages, in Armenian:

first stage – tests;

second stage – problems.

First and second stages of the examination shall be conducted on the same day. The duration of the first stage of the examination shall be two hours and thirty minutes, and the duration of the second stage shall be three hours.

(point 12 amended by No. 1009-N of 14 August 2008)

13. The examination shall be conducted in writing with the examination papers compiled from tests (for tests stage) and problems (for problems stage) - using computer software - on the basis of random choice from the list of questions entered into the computer in advance.

14. The examination paper prepared for conducting the first stage of examinations (tests stage) shall comprise 30 questions in accounting section, 30 questions in taxes and other mandatory payments section, and 20 questions in economic law section and 20 questions in audit section (a total of 100 tests) envisaged by the programme.

The number of tests on specific topics in each section - within the scope of quantitative proportions referred to in this point - shall be determined upon the decision of the Commission taking as a basis the proportion (ratio) of questions on the topic concerned in the relevant section of the list of questions.

15. The Commission shall check the papers of applicants on the same day after the conclusion of the first stage of examination, and, taking into account the requirements of this point, shall take a decision on their passing to the second stage and shall publish the results of the first stage one hour before commencing the second stage. For this purpose, the Commission shall summarise the results of the first stage of examination according to the number and percentage of scores of each applicant by giving one point to each correct answer, and zero point to each incorrect answer. The answers shall be deemed incorrect where a wrong answer, more than one answer, or no answer is selected, or the selected answer is changed (corrected).

The applicant shall pass to the second stage of the examination in case of giving correct answers to at least 70 percent of tasks of the first stage, of which at least 60 percent of answers in each of the four separate sections - referred to in point 14 of this Procedure - shall be correct.

(point 15 supplemented by No. 1009-N of 14 August 2008)

16. The second stage of the examination shall be conducted no sooner than in one hour after publishing the results of the first stage and not later than in three hours after the conclusion of the mentioned stage.

17. The examination paper prepared for the second stage of examination shall comprise two problems for each section on accounting, on taxes, duties and other mandatory payments, and on auditing (six in total) with different difficulty levels and maximum scoring points of three, four or five, the criteria of grading thereof shall be determined by the authorised body.

Each problem included in the examination paper shall be graded from zero to the highest score defined for grading with one decimal digit accuracy according to the criteria determined by the authorised body.

The applicant shall be considered qualified in case of giving correct answers to at least 70 percent of tasks of the second stage.

18. Head or secretary of the Commission, upon expiration of the time specified in point 12 of this Procedure, shall announce about the expiration of the time, after which the applicant shall be obliged to hand in the examination paper, or - in the problems stage - the answers to the problems to the Head of the Commission. The papers of applicants shall be codified in the manner determined by the Commission. The codes shall be revealed only upon summarising the examination results.

The answers to questions in tests stage shall be written on examination papers, and - in problems stage - on papers provided by the Commission.

(point 18 amended by No. 1009-N of 14 August 2008)

19. The examination papers shall be prepared - using computer software - on the basis of random choice - on the day of examination before conducting the stage concerned and in the presence of at least three members of the Commission, in three versions one of which shall be randomly selected by the members of the Commission, copied and distributed among the participants.

20. Before commencing the examination, the Secretary of the Commission shall introduce the examination procedure to the applicants and the consequences of the breach thereof, and shall answer their questions relating to the examination procedure. The examinations shall be open to the public. The examination procedure may be video recorded, photographed or audio recorded.

21. The applicant shall be prohibited to communicate with other applicants during the examination, use computers, means of communication, legal acts and other documents, professional literature, reference books, cribs sheets, or to leave the examination room. In case of breach of any of the requirements laid down in this point, the applicant shall be requested to leave the examination room (minutes thereof shall be drawn up, a copy of which may be given to the participant upon his/her request), and if the applicant leaves the examination room his/her assignment shall be deemed to be completed, and he shall be obliged to hand it to the Commission.

22. The Commission shall check the answers of the second stage of examination (problems stage) within two working days following the day of conducting the examination and shall take a decision on granting audit qualification to applicants taking into account the requirements of point 17 of this Procedure. For this purpose, each problem shall be checked and graded by at least two members of the Commission.

The Commission shall summarise the examination results behind the closed doors. The Commission shall publish its conclusion.

The applicant shall be duly informed of the examination results, or the results shall be sent to him not later than within five working days following the day of completion of the examinations.

23. The examination results may be appealed before the head of the authorised body within 30 days, or through judicial procedure.

The appeals shall be considered by the authorised body in an ad hoc commission within a period of ten working days upon filing thereof with the authorised body.

24. The conclusion of the commission shall be submitted to the head of the authorised body within a three-day period, based on which a certificate in the form approved by the authorised body shall be granted to the applicant within a ten-day period. When an applicant, holding a previously granted valid qualification certificate of an auditor, is granted a new certificate, the former certificate shall be deemed invalid by the authorised body, based on the conclusion of the Commission.

In case of failure to obtain the certificate, the latter shall be retained for one year, after which it shall be declared invalid by the authorised body.

25. The certificate shall be valid for five years. The certificate may be withdrawn in cases prescribed by law.

26. If the applicant submits inaccurate information to the Commission, he/she shall be prohibited to sit the examination, and if such facts are revealed after the certificate is granted, the authorised body shall repeal it, based on the conclusion of the Commission.

27. An applicant not qualified on the basis of the examination results and having failed to attend the examination, as well as in the cases referred to in point 21 of this Procedure, may re-sit the examination on a general basis. Moreover, for the purpose of sitting the examination, the applicant may submit only the application - required by point 8(a) of this Procedure - in the form approved by the authorised body, unless the expiry of one year after submission of the documents.

(point 27 edited by No. 1009-N of 14 August 2008)

28. In case of loss (losing, destruction, etc.) of certificate, an auditor shall be obliged to make an announcement thereon through mass media and apply to the authorised body to receive a copy of the lost certificate.

Where the certificate is rendered unfit for use, the auditor shall, for receiving a copy thereof, submit to the authorised body the certificate rendered unfit for use, together with the relevant application.

The authorised body shall, based on the conclusion of the Commission, declare the lost certificate or the certificate rendered unfit for use as invalid, and it shall be replaced with a new certificate marked with a word "Copy", within ten days following the day the documents referred to in this point, as well as the document verifying the payment of state duty - in the amount specified by law - have been submitted.

Where the copy of certificate is lost or rendered unfit for use, it shall be issued pursuant to the procedure defined by this point.

29. Where changes are made in the first name or the last name of an auditor, the latter shall, within a 15-day period after such changes became effective, submit an application on conversion of a certificate, attaching the relevant documents verifying the mentioned information, as well as the documents verifying the payment of state duty in the amount specified by law.

The certificate shall be converted within a ten-day period, upon filing a relevant application from an auditor with the authorised body.

30. The authorised body shall keep registers of applications and granted certificates. The register of applications shall include registration number and date of the application, first name, last name, address,

nationality and passport serial number of the applicant, as well as a note on passing or failing the qualification examination. The register of granted certificates shall include the first name and the last name of the auditor, registration number of the application, date of the relevant conclusion of the Commission and protocol number, date of granting the certificate and the number thereof.

31. The members of the Commission shall serve on voluntary basis.

32. The Commission shall cooperate with relevant structural subdivision of the authorised body, for the purpose of arranging the meeting and ensuring the receipt of required information about the applicant.

33. Results of the examination and conclusions of the Commission shall be kept for three years, after which they are transferred to the archive in the manner defined by the legislation of the Republic of Armenia.

Minister-Chief of Staff of the Government of the Republic of Armenia

M. Topuzyan

Annex No. 2

**to the decision of the Government of the Republic of Armenia
No. 123-N of 3 February 2005**

**PROGRAMME
OF QUALIFICATION EXAMINATIONS FOR AUDITORS**

Section I. Accounting (Financial)

Topic 1. Law of the Republic of Armenia on Accounting

Topic 2. Accounting Standards of the Republic of Armenia

ASRA 1. Presentation of Financial Statements

ASRA 2. Inventories

ASRA 4 Depreciation Accounting

ASRA 7 Cash Flow Statement

ASRA 8 Accounting Policies, Changes in Accounting Estimates and Errors

ASRA 10 Events after the Balance Sheet Date

ASRA 11 Construction Contracts

ASRA 12 Income Taxes

ASRA 14 Operating Segments

ASRA 16 Property, Plant and Equipment

ASRA 17 Leases

ASRA 18 Revenue

ASRA 19 Employee Benefits

ASRA 20 Accounting for Government Grants and Disclosure of Government Assistance

ASRA 21 The Effects of Changes in Foreign Exchange Rates

ASRA 22 Business Combinations

ASRA 23 Borrowing Costs

ASRA 24 Related Party Disclosures

ASRA 26 Accounting and Reporting by Retirement Benefit Plans

ASRA 27 Consolidated and Separated Financial Statements

ASRA 28 Investments in Associates

ASRA 29 Financial Reporting in Hyperinflationary Economies

ASRA 30 Disclosures in Financial Statements of Banks and Similar Financial Institutions

ASRA 31 Interests in Joint Ventures

ASRA 32 Financial Instruments: Disclosure and Presentation

ASRA 33 Earnings per Share

ASRA 34 Interim Financial Reporting

ASRA 35 Discontinuing Operations

ASRA 36 Impairment of Assets

ASRA 37 Provisions, Contingent Liabilities and Contingent Assets

ASRA 38 Intangible Assets

ASRA 39 Financial Instruments: Recognition and Measurement

ASRA 40 Investment Property

Topic 3. Chart of accounts on financial-economic activities of companies

Section II. Taxes, duties and other mandatory payments

Topic 1. Law of the Republic of Armenia on Taxes

Topic 2. Law of the Republic of Armenia on Profit Tax

Topic 3. Law of the Republic of Armenia on Income Tax

Topic 4. Law of the Republic of Armenia on Value Added Tax

Topic 5. Law of the Republic of Armenia on Excise Tax

Topic 6. Law of the Republic of Armenia on Property Tax

Topic 7. Law of the Republic of Armenia on Land Tax

Topic 8. Law of the Republic of Armenia on Presumptive Payments

Topic 9. Law of the Republic of Armenia on Simplified Tax

Topic 10. Law of the Republic of Armenia on State Duty

Topic 11. Law of the Republic of Armenia on Local Duties and Fees

Topic 12. Law of the Republic of Armenia on Mandatory Social Security Payments

(Topic 12 amended by No. 1009-N of 14 August 2008)

Topic 13. Customs Code of the Republic of Armenia

Customs Regimes

General Provisions on Customs Value

Customs Value of Goods Transported through the Customs Border and its Constituents

Rules for Determining Customs Value

Customs Duties

Customs Fees

(Topic 13 edited by No. 1009-N of 14 August 2008)

Topic 14. Law of the Republic of Armenia on Environmental Protection and Nature Use Fees

Topic 15. Law of the Republic of Armenia on Rates of Environmental Fees

Topic 16. Law of the Republic of Armenia on Road Fees

Section III. Audit

Topic 1. Law of the Republic of Armenia on Auditing

Topic 2. Standards on Auditing

SA 120 Framework of Auditing Standards

SA 200 Objective and General Principles Governing an Audit of Financial Statements

SA 210 Terms of Audit Engagements

SA 220 Quality Control for Audits of Historical Financial Information

SA 230 Documentation

SA 240 The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements

SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements

SA 300 Planning and Audit of Financial Statements

SA 310 Knowledge of the Business

SA 320 Audit Materiality

SA 400 Risk Assessments and Internal Control

SA 401 Auditing in a Computer Information Systems Environment

SA 402 Audit Considerations Relating to Entities Using Service Organisations

SA 500 Audit Evidence

SA 501 Audit Evidence - Additional Considerations for Specific Items

SA 510 Initial Audit Engagements - Opening Balances

SA 520 Analytical Procedures

SA 530 Audit Sampling and Other Means of Testing

SA 540 Audit of Accounting Estimates

SA 550 Related Parties

SA 560 Subsequent Events

SA 570 Going Concern

SA 580 Management Representations

SA 600 Using the Work of Another Auditor

SA 610 Considering the Work of Internal Auditing

SA 620 Using the Work of an Expert

SA 700 The Auditor's Report on Financial Statements

SA 710 Comparatives

SA 720 Other Information in Documents Containing Audited Financial Statements

SA 800 The Auditor's Report in Special Purpose Audit Engagements

SA 810 The Examination of Prospective Financial Information

SA 910 Engagements to Review Financial Statements

SA 920 Engagements to Perform Agreed-upon Procedures Regarding Financial Information

SA 930 Engagements to Compile Financial Information

Topic 3. Rules of Conduct for Auditors

Section IV. Economic Rights

Topic 1. Law of the Republic of Armenia on Legal Acts

Topic 2. Law of the Republic of Armenia on Licensing

General Provisions

Implementation of Licensing

Licensing Conditions and Requirements

(Topic 2 amended by No. 1009-N of 14 August 2008)

Topic 3. Law of the Republic of Armenia on Organising and Conducting Control in the Republic of Armenia

Topic 4. Law of the Republic of Armenia on Securities Market

Prudential Standards Pertaining to Activities of Investment Firms

Accounting and Reports in Investment Firms

Organisation of the Market

(Topic 4 edited by No. 1009-N of 14 August 2008)

Topic 5. Law of the Republic of Armenia on the Protection of Economic Competition

Anti-Competition Agreements

Dominant Position

Concentration

Unfair Competition

Topic 6. Civil Code of the Republic of Armenia

Civil legislation and other legal acts containing norms of civil law

Legal Entities

Objects of Civil Rights

Right of Ownership and Other Rights in Rem

Transactions, Representation, terms, limitation of actions

General Provisions on Obligations

Obligations arising from the contract

Topic 7. *(Topic 7 deleted by No. 1009-N of 14 August 2008)*

Main Provisions

Representation in the court

Evidences

Judicial Costs

Special adversary proceedings

Topic 8. Code of the Republic of Armenia on Administrative Offences

Administrative offence and liability

Administrative penalty and imposing thereof

Administrative offences against property

(line deleted by No. 1009-N of 14 August 2008)

Proceeding on Enforcement of the Decision on Imposing Penalty

Topic 9. Law of the Republic of Armenia on Joint Stock Companies

Topic 10. Law of the Republic of Armenia on Limited Liability Companies

Topic 11. Law of the Republic of Armenia on State Non-Commercial Organisations

Topic 12. Law of the Republic of Armenia on State Administration Institutions

Topic 13. Law of the Republic of Armenia on Banks and Banking

Topic 14. Law of the Republic of Armenia on Central Bank

Topic 15. Law of the Republic of Armenia on Credit Organisations

Topic 16. Law of the Republic of Armenia on Cash Transactions

Topic 17. Law of the Republic of Armenia on Insurance

Topic 18. Law of the Republic of Armenia on Pawns and Pawn Activities

Topic 19. *(Topic 19 deleted by No. 1009-N of 14 August 2008)*

Topic 20. (*Topic 20 deleted by No. 1009-N of 14 August 2008*)

Topic 21. Law of the Republic of Armenia on Procurement

Topic 22. Law of the Republic of Armenia on Budget System of the Republic of Armenia

Topic 23. Law of the Republic of Armenia on Treasury System

Topic 24. Law of the Republic of Armenia on Local Self-Government

Topic 25. Law of the Republic of Armenia on Salaries

Topic 26. Law of the Republic of Armenia on State Registration of Legal Entities

Topic 27. Law of the Republic of Armenia on Bankruptcy

(*Topic 27 edited by No. 1009-N of 14 August 2008*)

Topic 28. Law of the Republic of Armenia on Individual Entrepreneur

Topic 29. Labour Code of the Republic of Armenia

Topic 30. Criminal Code of the Republic of Armenia

Definition of "crime" and types of crime

Persons subject to criminal liability

Crimes against economic activities

Topic 31. Law of the Republic of Armenia on Anti-Money Laundering and Combating Financing of Terrorism.

(Topic 31 supplemented by No. 1009-N of 14 August 2008)

Minister - Chief of Staff

of the Government of the Republic of Armenia

M. Topuzyan