

10. ACCOUNTING AND AUDITING



WHY ACCOUNTING AND AUDITING MATTER

Accounting and auditing are not only compliance functions, but a key part of the operational and financial framework of a business in Slovenia.

They affect statutory reporting, tax compliance, dividend distribution, group reporting, financing arrangements and transparency. For foreign investors, early alignment of accounting policies and reporting structures is essential for efficient operations and integration with group systems.

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Legal framework

Accounting and auditing in Slovenia are governed by national legislation aligned with EU law.

The key legal instruments include:

- Accounting Act (AR)
- Companies Act (ZGD-1)
- Auditing Act (ZRev-2)
- Slovenian Accounting Standards (SAS)
- International Financial Reporting Standards (IFRS)

🌐 EU Accounting Directive 2013/34/EU

🌐 Statutory Audit Directive 2006/43/EC

🌐 Audit Regulation (EU) No 537/2014

🌐 Accounting Act (ZR)

🌐 Companies Act (ZGD-1)

🌐 Auditing Act (ZRev-2)

Key takeaways

- The Slovenian framework is broadly aligned with EU accounting and audit rules.

- Both national standards and IFRS are used, depending on the type and size of the entity.

Key risks

- Misalignment between local accounts and group reporting standards.

- Incorrect selection or application of the applicable accounting framework.

COMPANY SIZE AND CLASSIFICATION

Accounting, reporting and audit obligations depend on company size. Companies are classified as micro, small, medium-sized or large. Classification is based on three criteria: average number of employees, net revenue and total assets, with an entity

meeting at least two of these criteria for two consecutive financial years. Public-interest entities are, as a rule, treated as large companies regardless of their size. The following table summarises the current thresholds for each category.

Company size	Slovenian legal term	Employees	Net turnover	Assets	Classification rule
Micro	Mikro družba	≤ 10	≤ EUR 900,000	≤ EUR 450,000	Meets at least 2 of the 3 criteria
Small	Majhna družba	≤ 50	≤ EUR 10 million	≤ EUR 5 million	Not micro; meets at least 2 of the 3 criteria
Medium-sized	Srednja družba	≤ 250	≤ EUR 50 million	≤ EUR 25 million	Not micro or small; meets at least 2 of the 3 criteria
Large	Velika družba	Above SME thresholds or otherwise classified as large	Above SME thresholds or otherwise classified as large	Above SME thresholds or otherwise classified as large	Does not qualify as micro, small or medium-sized, or is otherwise designated as large

Key takeaways

- Company size determines the scope of reporting and audit obligations.
- Size classification must be reviewed and updated at least once a year.

Key risks

- Incorrect size classification leading to wrong reporting or audit treatment.
- Underestimating reporting requirements arising from a change in size category.

BOOKKEEPING AND FINANCIAL RECORDS

Companies must maintain accounting records and close their books annually.

Key requirements include:

- double-entry bookkeeping (standard)
- preparation of annual financial statements
- reconciliation of assets and liabilities

Accounting records must be kept:

- in the Slovenian language
- in EUR

Records must generally be retained for 10 years.

Annual reports must provide a true and fair view of the financial position.

🌐 Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES)

Key takeaways

- Double-entry bookkeeping is the standard system for business accounting.

- Annual closing of the books and statutory reporting are mandatory.

Key risks

- Weak internal accounting processes that fail to support reliable reporting.

- Incomplete or inaccurate accounting records, increasing compliance and audit risk.

ANNUAL REPORTING

The scope of annual reporting depends on company size.

Large and medium-sized companies must prepare full financial statements, including:

- balance sheet

- income statement
- cash flow statement
- statement of changes in equity
- disclosures and business report

Smaller entities have simplified reporting requirements.

Key takeaways

- The scope and detail of financial reporting increase as company size grows.

- Transparency and disclosures are mandatory and form an integral part of statutory reporting.

Key risks

- Preparing incomplete financial statements that omit required elements or notes.

- Non-compliance with disclosure requirements, leading to regulatory findings or enforcement.

CONSOLIDATED FINANCIAL STATEMENTS

Parent companies must prepare consolidated financial statements if they control one or more subsidiaries.

Exemptions apply for smaller groups, subject to thresholds.

Listed companies must use IFRS for consolidated reporting.

Key takeaways

- Consolidation obligations depend on control relationships and applicable size thresholds.

- IFRS is mandatory for listed groups and may also apply to certain other public-interest entities.

Key risks

- Failure to correctly identify when consolidation is required, including indirect control situations.

- Incorrect or inconsistent application of IFRS in consolidated financial statements.

AUDIT REQUIREMENTS

Statutory audit is required for:

- large companies
- medium-sized companies
- certain regulated entities

Auditors must be independent and comply with international auditing standards.

Auditors must be licensed by the Slovenian Institute of Auditors.

Audits must generally be completed within six months after the financial year-end.

Key takeaways

- Statutory audit is mandatory for medium-sized and large companies.

- Certain regulated entities must undergo an audit regardless of their size.

- Audits must generally be completed within six months after the financial year-end.

Key risks

- Late audit preparation, leading to delays or increased costs.

- Insufficient documentation and support for audit procedures, increasing the risk of findings.

RELATED PARTY TRANSACTIONS AND DISCLOSURES

Related party transactions are an important accounting, governance and audit issue for companies operating in Slovenia, particularly where the investor operates through a group structure, intra-group financing model or shared-services arrangement. For foreign investors, they are relevant not only from a tax perspective, but also for financial statement transparency,

statutory disclosures and audit readiness.

Depending on the applicable accounting framework, companies may be required to disclose transactions, balances and other relationships involving related parties. In practice, this is particularly relevant for parent companies, subsidiaries, sister companies, key management personnel and other

persons or entities that exercise control, joint control or significant influence over the company.

For companies that are part of a corporate group, certain thresholds, such as those determining company size classification, audit obligations or reporting requirements, may be calculated based on consolidated group-level figures rather than the standalone figures of the Slovenian entity alone. This means that even a small Slovenian subsidiary may be subject to more stringent reporting and audit requirements if it is part of a large international group. Investors should assess these obligations early, especially where the Slovenian entity forms part of wider European or global consolidation.

Typical related party transactions may include:

- intra-group loans and financing arrangements
- management and support services
- IP licensing and royalty arrangements
- cost-sharing arrangements
- sale or purchase of goods and services within the group
- guarantees, pledges and other off-balance-sheet commitments

From an investor perspective, related party transactions should be identifiable, properly documented and, where material, clearly reflected in the company's accounting records and disclosures. This is especially important where Slovenian entities are integrated into wider regional or multinational operating structures.

Key takeaways

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| <ul style="list-style-type: none"> • Related party transactions are relevant for both statutory reporting and audit preparation. | <ul style="list-style-type: none"> • Group companies should ensure consistent identification and documentation of related party relationships and transactions. |
| <ul style="list-style-type: none"> • Company size classification and related obligations may be based on group-level consolidated figures. | <ul style="list-style-type: none"> • Poor visibility over intra-group arrangements may create accounting, tax and governance risks. |

Key risks

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| <ul style="list-style-type: none"> • Failure to identify related parties correctly | <ul style="list-style-type: none"> • Inconsistency between accounting disclosures and transfer pricing documentation |
| <ul style="list-style-type: none"> • Underestimating reporting or audit obligations due to consolidated group thresholds | <ul style="list-style-type: none"> • Increased audit scrutiny where intra-group transactions lack clear documentation or business rationale |
| <ul style="list-style-type: none"> • Incomplete or inaccurate disclosures in the financial statements | |

PUBLICATION AND FILING OBLIGATIONS

Companies must submit financial data and reports to AJPES.

Deadlines:

- within 3 months after the financial year-end – annual data submission

- within 8 months after the financial year-end – audited reports (if applicable)

Reports are publicly accessible.

Key takeaways

- Publication of annual financial statements is mandatory and publicly accessible.

- Filing deadlines are strict and must be carefully observed.

Key risks

- Penalties or other consequences for late submission.

- Public disclosure of incomplete or incorrect information if reporting is not properly finalised before publication.

BRANCH REPORTING

Branches of foreign companies must comply with specific reporting rules.

- EU branches may submit parent reports

- Third-country branches may need separate reporting

Key takeaways

- Reporting obligations for foreign affiliates depend on the parent's home-jurisdiction rules and group structure.

- Broad alignment with EU frameworks can simplify reporting and reduce overlap for EU-based groups.

Key risks

- Applying an incorrect reporting approach or framework for the local entity.

- Additional reporting burden and reconciliation work for non-EU groups that follow divergent standards.