

Pursuant to Articles 11, 23, 68, paragraphs 6 and 7, and Article 143, paragraph 5, of the Law on Electronic Communications (*Official Gazette of RS*, nos. 44/10), and Article 16, item 4) of the Statutes of the Republic Agency for Electronic Communications (*Official Gazette of RS*, no. 59/10),

the Managing Board of the Republic Agency for Electronic Communications in its session held on 24 June 2011 adopted the following

## **RULES**

### **on the application of the cost-accounting principle, separate accounts and reporting by an operator with significant market power in the electronic communications sector**

#### **1. GENERAL PROVISIONS**

##### **1.1. Scope**

###### **Article 1**

These Rules shall regulate:

- Principles, models and basic methodology of cost accounting with the calculation of cost price for all types of final outputs (market services) of an operator with significant market power in the electronic communications sector (hereinafter: SMP operator) by applying the historical cost accounting and current cost accounting models;
- Principles and rules for the application of separate accounts for revenues, expenditures, profit and loss, assets and liabilities by types of market services, pertinent to the share directly attributable to the services or allocated thereto (segment reporting);
- Principles and rules for calculation of cost capital by types of market services (final outputs) and proposed sales prices for the operator;
- Material and formal contents, manner and deadline for submitting official and internal regulatory financial reports to the Republic Agency for Electronic Communications (hereinafter: Agency).

##### **1.2. Objectives**

###### **Article 2**

The objectives of these Rules are to provide through the application thereof, for the purposes of the Agency and the operator, the following:

- appropriate business-financial information basis for planning and control of the activities oriented towards creating and maintaining the relations in the market for electronic communications services pursuant to the relevant regulations;
- reliable information on costs, revenues, profits (or losses) and assets (capital employed) by all types of market services of an SMP operator, as if the services were produced and sold by separate legal entities, for the purpose of determining a separate tariff regime for the services under exclusive business competence of the operator according to “costs plus” method, and/or unit costs of such services increased by appropriate return on assets employed in service production and sales, recognizing legitimate business interest of the operator, protection of the service users’ interests and prevention of cost or price subsidizing between those services in markets where the operator has significant market power and the services offered in the open competitive market;
- complete system of reliable, verifiable and transparent calculations of semi-final outputs (internal services) of the cost centres, and/or types or groups of activities whose costs are internally reallocated, and final performance (market services) of the operator;
- the obligation of creating an appropriate internal accounting system, primarily Cost and Performance Accounting (Class 9 of Chart of Accounts), but also appropriate analytic aspects (account separation of assets and liabilities and/or capital employed) in Financial Accounting, as well as the obligation of coordinating the system with the Agency and making it available to the Agency.

### 1.3. Costs and Performances Accounting Principles and Models with Calculation

#### Article 3

Cost and performance accounting with calculation, i.e. application of cost-accounting principle and accounting separation by types of services with the operator providing several types of telecom services shall be based on the following principles:

- **completeness principle**, which refers to accounting and reporting of all primary and secondary costs and acknowledged performances by all cost centres (units), and/or all activities or groups of activities and by all cost origins (products and services) in terms of an overall reporting on revenues, expenses and acknowledged performances by all market services and/or by geographic areas, should the operator or the Agency decide to do so, in terms of an overall reporting on capital employed, measured by the value of assets employed, by all types of market services, furthermore always disclosing non-allocated amounts and total amounts of the operator, as well;

- **correlation principle**, which refers to comparing the revenues made in a certain period from the sales of market services (invoiced sales) with the relevant expenses from the same period;
- **causation principle**, which refers to attributing the costs as accurately as possible to the cost origins and/or operator’s market services that incurred them, both directly (direct costs of final outputs) and indirectly (through cost centres and/or an activity or group of activities (general costs from the viewpoint of cost origins and/or operator’s market services), which implies a causal allocation of this type of primary costs by cost units and/or activities or group of activities, directly when the costs are attributable to these units or indirectly by means of appropriate cost drivers, as a causal reallocation of secondary costs (values of internal outputs and/or services) between the cost units and/or activities or group of activities;
- **consistency principle**, which refers to consistent application of selected cost and performance accounting procedures in time, in order to ensure an inter-periodic information comparability and a reliable inference thereupon, not excluding the openness of the system for feasible accounting innovations harmonized by and between the Agency and the operator;
- **transparency principle**, which refers to periodic and annual reporting to the Agency by the SMP operator regarding the capital employed, revenues, expenses and results by types of market services, such as to enable the Agency to prevent potential non-competitive behaviour in the pricing policy in timely manner, as well as to familiarize itself with the business operations in order to take steps to boost the development of the operator;
- **data verifiability principle**, which refers to reliance of all reports of the operator with for the needs of the Agency on the applied accounting system of the operator, including authentic documentation sources and protected software solutions, with a possibility for the Agency’s departments in charge to access this system for monitoring purposes;
- **feasibility principle**, which refers to a gradual introduction of possible models and procedures of cost and performance accounting into the accounting information system of the operator, given the comprehensiveness and complexity of the venture;
- **multi-purpose principle**, which refers to defining models and procedures for the implementation of the cost-based principle and reporting by segments (types of services) as a solution designed for providing information to both the Agency and the operator’s management;
- **confidentiality principle**, which refers to the obligation of the Agency to use the information obtained through the reports on costs, service price calculation and reports on capital employed, revenues, expenses and results by types of services only for the purpose of preventing anti-competitive behaviour;
- **co-operation principle**, which refers to complete trust, openness and cooperation between the operator and the Agency in the implementation of cost-accounting principle and separate balance sheets and income statement accounts by types of market services.

## **1.4. Definitions**

### **Article 4**

Definitions given herein shall have the following meaning:

**Cost and performance accounting** is a part of the accounting information system dedicated to the analytic monitoring of costs, revenues and profits in order to provide reliable basis for cost price calculation, cost control and accounting separation by type of service and, if applicable, geographic areas.

**Outputs (performances)** are the result of the business activity of the operator and its units.

**Final outputs** are the operator's products and services intended for external market or activation (inclusion into property) and consumption within the company itself, for the needs of creating future outputs.

**Semi-final outputs** are results of business activities of the company's organization units and intended directly for final outputs or other organization units for consumption in the period of creation thereof (internal output).

**Cost origins (CO)** or cost objects are final outputs of the operator.

**Calculation** is a unit cost accounting of final and semi-final outputs.

**Cost centre (CC)** is a set of related and/or homogenous activities consolidated as a smaller organization part of the operator, department, function, geographic area etc. for which the costs and partial performances are calculated for the sake of reliable calculations for the final outputs of the operator (cost centres), cost control and accounting separation by type of services.

**Previous cost centres** are those cost centres wholly or mainly giving their outputs (internal services) to other cost centres which spend them in the same period, whereby they may have cost origins if producing outputs activated for the proper needs of the operator (e.g. internally handled investment activities).

**Final cost centres** are those cost centres wholly or mainly giving their outputs (services) to the final outputs of the operator (cost origins), whereby they may give a portion of their outputs to other cost centres as semi-final outputs (services).

**Activities** are analytical descriptions (results of the accounting break-down) of the operator's activities used for the needs of the activity based costing (ABC) mechanism;

**Group of activities (GA)** is a set of related activities formed according to the criteria of general costs homogeneity in terms of the possibility of finding a common cost driver for further cost allocation.

**Conventional (functional) approach to cost accounting** is a two-step accounting where the *first step* involves the selection of cost centres, allocation of direct costs to cost origins, allocation of general costs to cost centres, internal reallocation of costs from the previous cost centres and setting rates for final costs centres according to their performance units (cost drivers), whereas the *second step* involves allocation of the costs of the final cost centres to final outputs (products and services) of the operator by applying single pools cost quotas (rates) to the quantity of their performance units (cost drivers) used by individual cost origins (products and services).

**Activity based costing (ABC)** is a two-step cost accounting where the first step involves indentifying the activities, allocation of direct costs to cost origins, allocation of general costs to activities, associating related activities into group of activities, forming homogeneous pools for general costs and calculation of rates for general costs pools by performance unit (cost driver), whereas the second step involves charging general costs to cost origins (operator's products and services) by applying quotas (rates) of the final cost centres to the quantity of resources (performances, cost drivers) used by individual products and services, all to the end of more accurate calculations of the operator's products and services, in view of the fact that the activities outnumber the cost centres and that a greater number of drivers is employed in respect to the conventional cost accounting.

**Primary costs** are monetary expression of spending any material and non-material elements of the operator's business process along with the mandatory taxes and contributions of the company independent of its results, included and expressed by types of resources used for the company as a whole, in order to ensure the data needed for making the company balance sheet, for analytical cost and performance accounting with calculation and for profit and loss account separation by types of products and services.

**Secondary costs** are monetary expression of spending internal performances (outputs or services) of the previous cost centres or activities and/or group of activities by other cost centres or activities and/or group of activities.

**Direct costs (DC)** are those primary costs which are allocated to the company cost origins (products and services) with certainty and related directly thereto on the grounds of a document on cost incurred.

**General costs (GC)** are those primary costs which are shared by two or more cost origins and, therefore, in order to be finally allocated to cost origins they need to be previously calculated by cost centres or activities and/or group of activities, where they may be associated thereto directly or indirectly through cost drivers.

**Historical cost accounting (HCA)** is an accounting system which uses, throughout the accounting phases, really incurred costs of the company within the accounting period, which is visible by access to the system and the reports based thereupon.

**Fully allocated costs (FAC)** is a costing concept requiring all company costs within the accounting period to be allocated (calculated in the cost price) by all cost origins (products and services) of the operator, both those intended for the external sales and those subject to the obligation of activation for proper needs of the company.

**Capital** is the sum of the shareholders equity and liabilities.

**Equity** is the sum of share capital, reserves, revalorized reserves, share premium and retained earnings, net of uncalled capital, treasury shares and the eventual loss.

**Borrowed capital** consists of debt and/or total liabilities of the operator plus interest.

**Assets** consist of business (operating) assets incurring business (operating) costs and generating business (operating) revenue.

**Direct assets (DA)** are business assets for which the type of cost origins (products or services) they are employed for is known with certainty and, therefore, when separating the balance sheet according to services as if performed by separate legal entities, they are directly allocated thereto;

**Indirect assets (IA)** are business assets shared by two or more cost origins (products and services) and, therefore, when separating the balance sheet by type of service, they are allocated thereto using selected cost drivers;

**Current Cost Accounting (CCA)** is an accounting system for asset and capital valuation and cost and profit accounting based on current costs.

**Property, Plant and Equipment (PPE)** are all material assets used for the product production or service provision, for leasing to third parties or for administrative purposes, which are used for more than one year.

**Operating Capital Maintenance (OCM)** is the maintenance of the operating capability of assets. According to this concept, a company is able to make profit only if the operating capability is bigger in the end of a given period in respect to the beginning of the period.

**Financial Capital Maintenance (FCM)** is the maintenance of the real value (general purchasing power) of the company's shareholders capital in order to continue freely with the financing activities. The capital is deemed maintained if the value of the shares or stakes in the company in the end of the relevant period is the same in real amount in respect to the beginning of the period. In this way, the profit is made only if the real value (general purchasing power) of the comparable net assets in the end of the period exceeds the real value (general purchasing power) in the beginning of the period.

**Backlog depreciation** is accumulated depreciation which has not been provided in previous accounts, based on the prior revaluation and/or valuation according to the current costs, in respect to the necessary accumulated depreciation according to the current accounts on the day of the new valuation.

**Costs of capital** are the sum of reasonable targeted return on equity and net financial expenses of the company (financial expenses minus financial revenues, having excluded the share in profit and loss of the related legal entities and joint ventures, as well as the associated financial expenses related to the share in the capital of these entities);

**Weighted average cost of capital (WACC)** is average cost of equity and debt weighted by the share of equity and loss in the total capital;

**Rate of return on risk free investments** is interest rate assumed to be feasible by investing in risk free financial instruments, usually government debt securities;

**SMP operator** is the company performing electronic communications activity, designated by the Agency as an operator with significant market power, on which the obligations of accounting separation and price control and cost accounting were imposed pursuant to the applicable provisions of the Law on Electronic Communications (*Official Gazette of RS*, no. 44/10, hereinafter: Law).

## **1.5. Models of Cost and Performance Accounting**

### **Article 5**

Having regard to the international practice and accounting capacities of the operator, in accordance with the degree of requirements met, the Agency shall monitor the application of three models of cost and performance accounting, i.e. cost-based principle, as follows:

- Historical (actual) Cost Accounting – HCA model,
- Current Cost Accounting – CCA model and
- Long Run Incremental Cost – LRIC model.

In the light of these Rules, cost and performance accounting models, i.e. the implementation of the cost-based principle, according to the feasibility principle, are developmental phases in that area.

## **2. HISTORICAL (ACTUAL) COST ACCOUNTING – HCA**

### **2.1. Basis of the Model**

#### **Article 6**

The basis for HCA are the actual primary costs incurred by the operator during the accounting period, measured and included in the Financial Accounting, Class 5 accounts - Expenses, according to the official Chart of Accounts and the thereupon based company's Chart of Accounts (top-down method).

For the purpose of obtaining actual primary costs and expenses incurred from the Financial Accounting for the Cost and Performance Accounting and further accounting thereof, they are split into the following four groups:

- Costs of goods sold (account group 50);
- Operating costs, which include: the costs of material, costs of wages together with salary reimbursements and other personal expenses, costs of production services, costs of amortization, provision costs and intangible costs (account groups 51 – 55);
- Financial expenses (account group 56);
- Other different expenses, including other expenses, expenses related to impairment of assets and loss from discontinued operations (account groups 57 – 59).

## **Article 7**

Differentiation of the groups of costs and expenses referred to in Article 5 herein is conditioned by the information needs for the calculation of services sales prices and the analysis and internal regulatory reporting to the Agency and the operator's management on the profitability of services sold and the company as a whole, and/or the separation of accounts by types of services as if they were provided by separate legal entities.

## **Article 8**

Calculation of the services sales prices of the operator referred to in Article 6 herein shall include the operating costs of services and relevant weighted average cost of capital, which consists of the costs of capital and costs debt calculated in the manner set out hereby.

Costs of goods sold have their own separate revenues from the sales of goods and shall not be included in the operating costs of the cost units and/or activities or group of activities, nor in the calculation of sales prices of electronic communications services.

Financial expenses shall be included in the price calculation of electronic communications services through the costs of debt, therefore they cannot be included in the operating costs for the purpose of sales price formation for the services.

Other different expenses, including other expenses, expenses related to impairment of assets and losses from discontinued operations shall not be considered operating costs, therefore the operator can include them, in part or in whole, in the calculation of sales prices of services as separate expenses items provided they have not been included in the cost of capital as business-financial risks, and provided a prior consent of the Agency has been obtained therefor.

## **Article 9**

In internal regulatory financial report on profitability (profit performance) of the services and company as a whole, and/or internal income statement, referred to in Article 8 herein, separate data shall be provided for the following:

- Gross profit or loss of the operator from the sales of commercial goods, and/or commercial margin made in the operator's commercial activity.
- Operating profit or loss of a commercial activity of single electronic communication services and the company as a whole once the associated operating costs are covered from the revenues from sales of goods and services;
- Regular profit or loss of a commercial activity of single electronic communication services and the company as a whole once the actual net financial expenses have been covered, and/or once the financial expenses and financial revenues have been included in the calculation of the periodic result (profit);
- Net profit or loss of the company as a whole once other different expenses (other expenses, expenses related to impairment of assets and losses from discontinued operations) and/or by single services if these expenses are allocated, in part or in whole, to the services sold.

## **Article 10**

Pursuant to the goals of providing information basis for:

- Calculation of the sales prices and control of implementation of the set sales price policy and
- Accounting separation by types of services, and/or analysis and reporting to the Agency and the operator's management,

an integral application of the cost-based principle shall entail the following:

- appropriate separation of revenues by types of services;
- direct association of direct costs and/or expenses for commercial activity, single types of services and other activities of the operator;
- appropriate allocation of general primary costs, and/or company's expenses;
- internal reallocation of costs among the cost units, and/or activities or group of activities (calculation of secondary costs, i.e. calculation of performance outputs of the previous cost units, and/or activities or group of activities by means of reallocation of the costs thereof to final cost units, and/or activities or group of activities);
- cost allocation for the final cost units, and/or activities or group of activities by types of market services, and/or final calculation of cost origins (objects);
- provision of calculations for unit costs (cost price by unit) of market services;
- calculation of weighted average cost of capital and their allocation (attribution) by types of market services, by means of forming targeted sales prices for these services.

## **2.2. Revenue Allocation**

### **Article 11**

Revenues of the operator shall be split into groups and types of revenues in the way stipulated under the Charts of Accounts for legal entities and the company's Chart of Accounts, developed so as to ensure accounting separation by types of services as if they were provided by separate legal entities.

Within operating revenues:

- Revenues from the sales of goods shall be considered direct revenues from commercial activities of the company and shall be directly linked thereto;
- Revenues from the sales of products and services shall be considered revenues from the operator's single market services and shall be directly linked thereto;
- Revenues from use of own goods and services shall be considered direct revenues from commercial activities from the operator's single market services and shall be directly linked thereto;

- Revenues from the premiums, subsidies, grant-in-aids, donations and other operating revenues shall be:
  1. Directly linked to the operator’s commercial activities and single electronic communication services provided these are direct revenues thereof;
  2. Allocated to the operator’s commercial activities and single electronic communication services using appropriate cost drivers, provided these are directly caused thereby;
  3. Left as the operator’s unallocated revenues, provided these are caused by other activities of the company.

Financial revenues shall be considered revenues of the company as a whole and shall remain among the unallocated revenues, except in case of separate financial revenues from the commercial activities and single electronic communication services which would be allocated thereto.

Other different revenues, i.e. other revenues, revenues from valuation of assets and income from suspended operations shall be considered revenues of the operator as a whole and shall remain unallocated, except in case of separate revenues from the commercial activities and single electronic communication services which would be allocated thereto.

### **2.3. Primary Cost and/or Expenses Allocation**

#### **Article 12**

Primary cost and/or expenses allocation of an SMP operator, measured and included in the SMP operator’s Financial Accounting, shall be carried out by placing the costs and/or expenses in the Cost and Performance Accounting, while observing the completeness principle and the causation principle.

Costs goods sold shall be considered a direct expense of the SMP operator’s commercial activities and/or sold commercial goods and shall be directly linked thereto.

Operating costs shall be:

- Linked directly to the cost origins, and/or commercial activities, single electronic communication services of the operator and other activities of the company, in those areas where these are considered direct costs thereof;
- Previously linked to the cost origins (where functional-based costing is applied) and/or activities or group of activities (where activity-based costing is applied), in those areas

where these are considered general costs from the viewpoint of cost origins and/or commercial activities and single electronic communication services, and shall be charged thereto by means of selected cost drivers, previously agreed upon with the Agency, in the final calculation of cost origins;

- Left and declared unallocated operating costs of the SMP operator, in those areas where they are, directly or by means of appropriate cost drivers, related to other general activities of the operator (e.g. activities related to managing and administrative and other activities deriving from relations with the related legal entities).

Financial expenses as a separate group of expenses and/or costs shall be:

- Directly linked to commercial activities and single electronic communication services of the SMP operator in those areas where these are considered direct financing expenses (costs) thereof;
- Allocated to commercial activities and single electronic communication services of the SMP operator according to the cost driver of employed assets and/or capital, used in calculating weighted average costs of capital for the purpose of sales price formation for the services of the SMP operator;
- Left and declared unallocated financial expenses (costs) in the area where they are related to financing other activities of the SMP operator (activities not related to procurement and sales of commercial goods and production and sales of electronic communications services) from the borrowed financing resources.

Other expenses, and/or expenses related to impairment of assets and losses from discontinued operations shall be:

- Linked directly to commercial activities and single electronic communications services in those areas where these are considered direct expenses thereof;
- Allocated according to previously set cost drivers to commercial activities and single electronic communications services if jointly caused thereby;
- Left and be declared unallocated expenses in the remaining areas thereof.

## **2.4. Internal Reallocation of Operating Costs**

### **Article 13**

Ultimate operating cost drivers shall be final outputs of the SMP operator (cost origins) and/or commercial activities of the SMP operator as a whole.

Direct operating costs of cost origins shall be directly linked to commercial activities, single electronic communications services and other activities of the operator.

Indirect (general) operating costs from the viewpoint of cost origins shall be previously linked to the cost unit and/or activities or group of activities, as follows:

- As their direct costs by means of direct linking, or
- As their indirect (general) costs using previously selected cost drivers coordinated with the Agency.

## **Article 14**

Cost units and/or activities or group of activities of the SMP operator, from the viewpoint of the relation with the cost origins, shall be divided into:

- Ancillary (previous) cost units and/or activities or group of activities;
- Final cost units and/or activities or groups of activities whose performances are primarily related to the cost origins (related activities with cost origins), but also to other final cost units and/or activities or groups of activities (for instance, cost units and/or activities of network elements);
- Final cost units and/or activities or group of activities whose performances are related exclusively to cost origins as operator's final performances (for instance, cost units and/or activities of network elements).

## **Article 15**

Internal allocation of cost units' operating costs and/or activities or group of activities shall be carried out by:

- Transfer of realized performances of the ancillary (previous) cost units and/or activities or group of activities at cost price (operating costs per unit) of the performances to other ancillary cost units or activities, if there is an accounting need therefore, and to final cost units and/or activities, or only to these latter provided this is not contrary to the causality principle, and is in line with the feasibility principle (rationality) of cost accounting;
- Transfer of a part of performances of the final cost units and/or activities or group of activities to other final cost units at cost price (operating costs per unit) of the performances, provided there is an internal exchange of performances between the final cost units and or activities or group of activities.

Unit of measure chosen for cost unit performance and/or activity or group of activities, within the meaning of this Article of the Rules, may be any suitable physical unit of measure or unit of the cost driver selected for the internal reallocation of general operating costs, and it is subject to a prior choice and coordination with the Agency and subsequent consistent application thereof, but also to a possible coordinated modification in order to enhance the internal reallocation of the operating costs.

## **2.5. Allocation of General Operating Costs to Cost Origins**

### **Article 16**

Cost origins, i.e. final performances (outputs) of an SMP operator shall be as follows:

- Commercial activities if any;
- Electronic communication services intended for a free competition market;
- Electronic communication services with significant market power (services subject to control by the Agency and/or regulated services);
- Other activities of the SMP operator (for instance, activities of the company deriving from relations with the related entities, other activities of the company which are not conditioned by the aforesaid identified cost origins, whose revenues, operating costs and

expenses are treated as unallocated to commercial activities and single electronic communications services).

### **Article 17**

During the allocation of primary operating costs, direct operating costs are directly linked to the relevant cost origins, whereas the common costs are allocated to cost units, and/or activities or group of activities for the purpose of linking them as accurately as possible to appropriate cost origins (final outputs of the SMP operator).

### **Article 18**

During the internal allocation of the operating costs, the total amount of general operating costs is placed at the final cost units, and/or activities or groups of activities, wherefrom it shall be allocated to cost origins and/or commercial activities of the SMP operator, single electronic communications services and other activities of the operator, this being the final accounting for cost origins according to operating costs.

### **Article 19**

Allocation of general operating costs from the final cost units and/or activities or groups of activities to cost origins shall be carried out as follows:

- By direct linking to single cost origins if the performances (operating costs included) of the final cost origin, and/or activities or group of activities, are related to only one final output of the SMP operator (market service);
- By direct linking using previously selected cost drivers, agreed upon with the Agency, if the performances (operating costs included) of the final (related to market service) cost origin, and/or activities or group of activities, common costs are joint (general) costs for several cost origins (final cost performances, and/or services of the SMP operator).

### **Article 20**

Final calculation for cost origins by operating costs results in total cost price by types of performances (market services) of the operator, with the two most important information purposes, namely:

- to provide, within the Cost and Performance Accounting by transferring full (direct and general) operating costs of the cost origins to appropriate expenses accounts for the services sold, stipulated under Chart of Accounts for business entities and Chart of Accounts of the company, appropriate information foundation for income statement account separation (revenues, expenses and profit or loss) for by types of services as if

these were produced by separate legal entities, as stipulated hereunder according to the international and national legal framework;

– to provide, within the Cost and Performance Accounting, appropriate information foundation for the calculation of unit cost prices for each type of market services of the SMP operator.

## **2.6. Electronic Communications Services Unit Cost Calculation**

### **Article 21**

Electronic communication services unit cost calculation of the SMP operator shall be of a particular importance for the information system of the operator's management and the Agency, since they provide principle information foundation for drawing up a sales price policy and operational forming thereof, and therefore it is required that they be based upon a sufficiently dissected (analytical) cost and performances accounting which has been coordinated with the Agency, i.e. that they be in line with the causation principle to the maximum reasonable extent in linking the costs with the final performances (operator's market services).

### **Article 22**

The SMP operator shall prepare and submit to the Agency, within the timeframe stipulated hereunder, unit cost calculation for all market services, in order to provide full and reliable information foundations, and/or necessary evidence that the operator is not subsidizing the costs of one electronic communications service with another.

### **Article 23**

The subject of electronic communications service unit cost calculation shall be operating costs declared as follows:

- by types of primary costs of the operator stipulated under the official Chart of Accounts for business entities or in a greater detail according to the Chart of Accounts of the company in the part relative to primary costs (class 5);
- or by operating costs grouped in another way, coordinated with the Agency;
- always in the total amount and per unit of final output (electronic communications services), whereby the sum of total operating costs of all final outputs (market services) of the operator shall correspond to total operating costs attributed to all electronic communications services as cost origins; and
- always marked, i.e. split into direct and general costs.

Notwithstanding paragraph 1 of this Article, electronic communications service unit cost calculation may include parts of other expenses relative to single services, provided that these are not included in the weighted average costs of capital as business-financial risks, and that such calculation procedure has been coordinated with the Agency.

### 3. CURRENT COST ACCOUNTING

#### 3.1. Model Basis

##### Article 24

Current cost accounting is an accounting method used for the valuation of assets and capital and for the calculation of costs and income of a company, based on current costs.

#### 3.2. Valuation of Assets Based on the Current Cost

##### Article 25

The valuation of assets based on the current costs shall refer to property, plant and equipment (hereinafter: PPE) and intangible assets, if applicable.

Other groups of property, such as long-term and short-term financial placements, receivables, cash, etc., shall already be expressed in the financial reports under current costs and no additional adjustments shall be required.

Supplies shall be valued according to historical cost accounting since they usually do not have any material impact on the total assets in the balance sheet with the operators performing electronic communications activity.

The valuation of PPE according to CCA model shall be accompanied by the same valuation of the depreciation costs.

##### Article 26

**Current cost** is net replacement cost or recoverable amount, whichever is the lower.

**Net replacement cost** is the amount payable for an asset with the same functionality and capacity as the existing.

**Recoverable amount** is the higher of net realizable value or economic value.

**Net realizable value** is the expected selling price minus the selling cost.

**Economic value** is the present value of the additional cash flows resulting from retention of PPE.

PPE and intangible assets, as fixed assets subject to valuation according to current cost is used for performing of the principal activity of the operator, hence it cannot be valued according to network realizable value. Assets held for sale, assets belonging to the discontinued operations,

which are transferred to special positions in the financial accounting for the purposes of general financial reports, are considered to be an exception.

In PPE valuation economic value shall not be applied, instead the current cost shall be calculated only based on net replacement cost.

#### **Article 27**

**Replacement cost method** shall be based on current market prices and current technology. Some groups of assets are subject to rapid technological changes, hence in some cases the existing assets cannot be replaced by an identical asset. In such cases the replacement cost shall refer to replacement cost of a **modern equivalent asset** of the asset subject to valuation. In this case value adjustments shall be required in order that the modern equivalent asset match the existing asset in terms of functionality and capacity. Adjustments related to the additional capacity of the new equipment, additional functionality of the new equipment, savings in the operating costs compared with existing equipment, etc., shall be of particular importance.

In order to calculate the net replacement cost, gross replacement cost shall be corrected for the cumulative depreciation based on current costs to the valuation date.

### **3.3. Fixed Assets Valuation Methodology**

#### **Article 28**

Fixed assets valuation can be based on the method of: historical cost, indexation and absolute valuation.

SMP operator shall apply all three valuation methods according to the type and characteristics of the assets that are being valued.

PPE valuation according to the **historical costs** from balance sheet shall be applied to those groups of PPE whose value has not been significantly changed since the procurement date and which have a short lifetime. Historical cost shall also be used for the valuation of newly acquired PPE during the year since their acquisition value cannot differ significantly from the current cost value. Intangible assets, if any, shall be valued according to historical cost.

**Indexation** is PPE valuation by applying an annual price growth index. This method shall be used for PPE which are not subject to rapid technological changes, but have significant price changes. This group usually includes real estate and land. For indexation method application, consumer price index in the Republic of Serbia shall be applied.

**Absolute valuation** involves a current replacement cost, or modern equivalent assets of those assets that cannot be replaced by an identical asset, for each PPE item in the assets register. It shall be applied to valuation of the equipment used to perform the electronic communications activities which are subject to technological changes and are not homogenous in terms of prices, such as: cable ducts, switches, transmission equipment, power supply equipment, etc.

## **Article 29**

In order to rationalize the time required for valuation, and the costs incurred thereby, the Agency and the SMP operator shall agree on the materiality limit (property value) of the assets subject to valuation. In this case not all PPE in the SMP operator's assets register shall be valued, but only those assets that exceed the set limit in value.

## **Article 30**

The depreciation shall be carried out according to the accounting depreciation method used for the purpose of general financial reporting. In this case the same lifetime of the PPE as referred to in the financial accounting shall be applied. The difference is that the depreciation shall be calculated for the gross value of the PPE according to current costs instead of historical costs.

### **3.4. Capital Maintenance Concept**

#### **Article 31**

The purpose of the capital maintenance concept is to show whether the value of assets or shareholders capital in the end of the relevant period has been maintained in respect to the value from the beginning of the period due to the impact of different factors such as: inflation, technological changes, etc.

For the purposes of the current cost model the financial capital maintenance concept shall be used.

The financial capital maintenance concept shall entail maintenance of general purchasing power of a company's shareholders capital so as to freely continue with financing activities.

The application of the financial capital maintenance concept, in the spirit hereof, shall, on the one hand, lead to holding gains or losses due to the assets price modifications and/or modifications in net replacement costs of the assets subject to valuation, and on the other, to shareholders capital value adjustment.

### **3.5 Calculation of Costs of Capital and Selling Prices of Electronic Communications Services**

#### **Article 32**

Prices of regulated services shall be: subject to a consistent application of cost-oriented principle,

- accompanied by the results of price analysis in the country and the region so as to gradually remove the price disparity in the domestic market in respect to the countries in the region, for comparable services,
- in view of a harmonized price policy between the Agency and the operators, based on the requirements of the user protection and the provision of material basis for the development of an SMP operator.

In some cases, the Agency may apply other price control methods should it be found that the cost-oriented price considerably exceeds the prices of comparable services of the other operators in the country and the region.

### **Article 33**

The cost-oriented principle in the pricing of electronic communications services under a special tariff regime and/or regulated prices in the electronic communications activity (hereinafter: prices of regulated services), according to CCA model, shall be applied by the Agency:

- starting with the unit cost calculation (without depreciation) for the previous reporting period, deriving from the integral calculation system for all market services of the operator, as laid down hereby;
- followed by adding thereto:
  - depreciation costs based on the current costs
  - backlog depreciation
  - relevant weighted average cost of capital, calculated at a reasonable rate
- concluding with the subtracting the holding gain and/or adding holding loss which is a result of the change in the gross value of the assets as a result of valuation.

Pricing of regulated services according to CCA model referred to in paragraph 1 hereof shall be carried out according to the following formula:

$$R = O + Dcca + BD + (V-D) r \mp HG/L$$

where:

R = target revenue,

O = operating costs (excluding depreciation),

Dcca = depreciation based on current cost accounting,

BD = backlog depreciation

V = gross value of the total assets employed,

D = accumulated depreciation of fixed assets based on current costs,  
V-D = value of total assets employed minus depreciation (investment basis for rate of return and/or cost of capital)  
r = return on capital employed (cost of capital)  
HG/L = holding gain/loss

#### **Article 34**

Depreciation based on the current costs shall be calculated by applying a chosen depreciation rate for PPE groups on gross value of assets, based on current costs.

#### **Article 35**

Backlog depreciation represents the correction of the accumulated depreciation from the previous period so that it equals the current gross value of assets subject to valuation on the balance day (new valuation day).

In case gross asset value has been increased compared with the previous business year, there is a holding gain that needs to be partly depreciated and additional depreciation needs to be calculated.

In case of holding loss, gross asset value is reduced, which means that previously calculated depreciation is excessive and needs to be decreased through negative backlog depreciation.

#### **Article 36**

Holding gains/losses are the result of the PPE valuation based on current costs.

When gross PPE value from the beginning of the period has been increased as the result of the current cost valuation, there is a holding gain which should be deducted in the formula based on current costs.

In case the PPE value has been reduced, there is a holding loss which should be added in the formula referred to in Article 33, paragraph 2 hereof.

#### **Article 37**

Backlog depreciation and holding gains/losses shall be included in the income statement for the purposes of regulatory reporting as a correction of operating result.

#### **Article 38**

Additional inflation corrections shall not be included in the capital and/or in the capital employed calculation, for the needs of weighted average cost of capital (WACC) application, since the corrected value of equity on the basis of current costs is already included in the WACC through the return on equity.

### Article 39

Pricing of regulated services according to HCA model shall be carried out according to the following formula:

$$R = O + (V - D) r$$

where:

R = target revenue,

O = operating costs,

V = gross value of the total assets employed,

D = cumulative depreciation of fixed assets,

V-D = value of total assets employed minus depreciation (investment basis for rate of return and/or cost of capital rate),

r = return on capital employed (cost of capital).

### Article 40

Rate of return on capital employed shall be the operator's WACC calculated according to the following formula:

$$WACC = \frac{Re}{1 - T} * \frac{E}{D + E} + Rd * \frac{D}{D + E}$$

where:

Re = return on equity

Rd = return on debt

D = total debt with interests

E = equity

T = tax rate on profit.

Return on equity is the expected rate of return for a risk free investment plus an adequate premium expected for business and financial risks of the company.

Return on debt is calculated as a ratio between the effective net financial expenses, or the company's financial expenses minus financial revenues, and the total debt of the company.

The treatment of the business-financial risks, within the meaning of paragraph 2 hereof, and/or other expenses relative to assets devaluation and suspended business loss, compensated by homogeneous revenues, which are not separately identified and allocated to single services as a supplement to operating costs of services according to a procedure coordinated with the Agency, pursuant to hereto.

The Agency may independently perform the calculation of the rate of return on the capital employed, pursuant to an internationally recognized methodology and the operator shall apply the rate of return on the capital employed in compliance with the single rate or a range set out by the Agency.

#### **Article 41**

Costs of capital pertaining to each regulated telecom service of the SMP operator shall be calculated by applying the weighted average cost of capital, referred to in Article 40 hereof, to the total fixed assets (capital) employed in the production and sales of these services.

Assets within the meaning of paragraph 1 hereof shall be:

- fixed assets without long-term financial placements, and/or relevant intangible assets and PPE at net value based on the current cost (gross value minus accumulated depreciation, and/or value correction) throughout the reporting period;
- current assets without short-term financial placements minus short-term liabilities.

Pursuant to the requirement of account separation by all types of electronic communications services as if they were provided by separate legal entities, assets employed, referred to in paragraph 2 hereof, shall be calculated and stated in the reports by all types of the operator's activities (commercial activities, single types of electronic communications services and other activities of the operator, and/or unallocated assets of the company):

- as direct assets employed in performing the aforementioned activities,
- as indirect assets allocated to the aforementioned activities using previously determined cost drivers.

## **4. FINANCIAL REPORTING TO THE AGENCY BY AN SMP OPERATOR**

### **Article 42**

An SMP operator shall submit reports to the Agency concerning the cost-based principle application and account separation (division) relative to performance and assets (capital) employed, as follows:

- by means of official financial reports and
- by means of internal regulatory reports.

### **Article 43**

Official financial reports and/or Balance Sheet, Income Statement, Cash Flow Statement, Statement on changes in Equity and Notes to Financial Reports, shall be submitted to the Agency by the operator as single financial reports, on prescribed forms, for prescribed reporting periods and by prescribed deadlines for submission of financial reports to the Business Registers Agency of the Republic of Serbia, which also applies to the revised financial reports.

The deadline for submitting the single official financial reports, referred to in paragraph 1 hereof, for the previous business year to the Agency shall be 31 March.

### **Article 44**

Internal regulatory financial reporting to the Agency by the SMP operator according to the CCA model shall be carried out at least once a year by means of internal regulatory reports stipulated hereunder and by the Appendices hereto and/or by the tables given in basic form and notes on possible coordinated adjustments, which are printed herewith and are an integral part hereof.

Along with the filled out Appendices, the SMP operator shall be required to submit to the Agency the asset valuation report (PPE and intangible assets, if applicable) together with a detailed explanation and reasoning for the methods applied for the valuation and a report describing in detail the allocation methodology and drivers for the allocation of revenues, operating costs, assets and liabilities to all services provided by the SMP operator and pricelists for all services of the SMP operator, including the transfer prices and/or internal fees for the services between different business segments and/or branches of the SMP operator.

On the request of the Agency, the SMP operator shall also submit analytic records (trial balance) as an integral part of the internal regulatory financial reports.

Depending on the information needs, in the event of urgent measures taken in order to prevent irregular behaviour of the SMP operator, the Agency may also require a short-term internal regulatory financial reporting.

#### **Article 45**

The SMP operator may hire an independent auditor to revise the internal regulatory reports and assess the accuracy of the overall calculations according to CCA model and of the applied cost drivers. In such case, the opinion of the chartered auditor shall be submitted to the Agency together with the internal regulatory report within the deadline stipulated hereunder.

### **5. TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 46**

The SMP operator shall be required to submit to the Agency, no later than 30 June for the previous business year, the reports referred to in Article 44 hereof and the filled out Appendices, in written and electronic form.

The deadline for the first internal regulatory reporting according to CCA model referred to in paragraph 1 hereof shall be 30 September 2013, on the basis of the financial reports for the business year of 2012 which will have been subject to an independent auditing.

#### **Article 47**

Until the reporting according to the CCA model referred to in Article 46 hereof begins, the SMP operator shall submit the reports according to the HCA model to the Agency on a semi-annual and annual basis, according to the stipulated deadlines, as follows:

- Deadline for submitting the list of cost allocation drivers – 31 January;
- Deadline for the approval of the cost allocation drivers by the Agency, and for including other expenses of the SMP operator in the calculation of cost price for the electronic communication services, in case these are not already included in the equity costs calculation – 1 March;
- Deadline for submitting the internal regulatory report and the filled out tables, which are an integral part hereof shall be 30 April (for the first reporting period) and 31 October (for the second reporting period).

#### **Article 48**

When the Agency designates an operator as having significant market power, the operator shall submit the first internal regulatory report to the Agency no later than 30 June of the following year.

#### **Article 49**

The Agency will hire an independent auditor to perform the verification of the internal regulatory reports and accounting separation with the SMP operator, and the operator shall enable the access to and insight into all available documents.

### **Article 50**

The day these Rules enter into force, the Rules on the application of the cost-accounting principle, separate accounts and reporting of a telecommunications operator with significant market power (*Official Gazette of RS*, no. 103/08) shall cease to be valid.

### **Article 51**

These Rules shall enter into force on the eighth day following the day they are published in the *Official Gazette of RS*.

**Ref. no: 1-02-3400-8/11**

**Chairman of the Managing Board**

**In Belgrade, 24 June 2011**

**Prof. Dr. Jovan Radunovic**

**Table 1**

**Internal Income statement  
for the period from \_\_\_\_\_ to \_\_\_\_\_**

in RSD

Group	Position name	Commercial activities	Type of electronic communications services					Other activities	Unallocated	Total
	I Operating revenues (60 to 65)									
60	Sales of goods									
61	Sales of products and services									
62	Revenues from use of own goods and services									
64	Revenues from premiums, subventions, subsidies, donations, etc.									
65	Other operating incomes									
	II Operating expenses (50 to 55)									
50	Costs of goods sold									
51	Costs of material									
52	Costs for salaries, contributions, compensations to salaries and other personal costs									
53	Costs of production services									
540	Depreciation									
541 to 549	Provision costs									
55	Non-material costs									
	III Operating income (loss) I-II									
	IV Net financial revenues (expenses)									
66	Financial revenues									
55	Financial expenses									
	V Net other revenues (expenses)									
67, 68	Other revenues									
57, 58	Other expenses									
	VI Regular income/ (loss) III + IV + V									
69, 59	VII Net income/ (loss) from discontinued operations									
	VIII Income/ (loss) before taxation									
	IX Income tax									
	X Net income (loss)									

**Table 2**

**Allocation of revenues for the period from\_\_ to\_\_**

Group and account	Position name	Mark D-direct G-general	Commercial activities	Types of electronic communication services				Other activities	Unallocated	Total
	I Operating revenues (total: all, D and G)									
60	Sales of goods	D								
61	Sales of products and services (separated further to official synthetic accounts)	D								
62	Revenues from use of own goods and services (separated further to official synthetic accounts)	D								
64	Revenues from premiums, subventions, subsidies, donations, etc. ( separated further to official synthetic accounts and further to direct and general within each account)									
65	Other operating revenues ( separated further to official synthetic accounts and further to direct and general within each account)									
	II Financial revenues (total: all, D and G) ( separated further to official synthetic accounts and further to direct and general within each account)									
	III Other revenues (total: all, D and G) ( separated further to official synthetic accounts and further to direct and general within each account)									
	IV Income from valuation of assets (total: all, D and G) ( separated further to official synthetic accounts and further to direct and general within each account)									
	V Revenues from discontinued operations (total: all, D and G) ( separated further to official synthetic accounts and further to direct and general within each account)									
	<b>T o t a l</b>									

Table 3

**Allocation of general revenues  
for the period from\_\_ to\_\_  
according to \_\_\_\_\_cost driver**

in RSD

Type of activities	Unit revenues of the cost driver	Cost driver value	Revenue amount (2x3)
1	2	3	4
I Commercial activities			
II Electronic communications services			
1.			
2.			
3.			
4.			
5.			
Etc.			
III Other activities			
Total allocated (I + II + III)			
IV Unallocated			
<b>T o t a l</b>			

Note:

The form *Allocation of general revenues* is done for each common (general, indirect) income which, pursuant to the causation principle, should and can be allocated to stated activities and electronic communications services, according to adequate cost driver, and which is marked as general income in the overall report *Allocation of revenues for the period*.

Table 4

**Allocation of primary operating expenses  
for the period from \_\_ to \_\_**

In RSD

Group and account	Name of position	Mark: D-direct G-general	Commercial activities	Types of telecom services				Cost centres- Group of activities	Other activities of the company	Unallocated	Total for the company
50	Costs of goods sold (501+502)										
501	Costs of goods sold										
502	Costs of sold real estate acquired for further sale										
51	Costs of material (total: all, D and G) (distributed further to official synthetic accounts and to direct and general within every account)										
52	Costs for salaries, contributions, compensations to salaries and other personal costs (total: all, D and G) (distributed further to official synthetic accounts and to direct and general within every account)										
53	Costs of production services (total: all, D and G) (distributed further to official synthetic accounts and to direct and general within every account)										
540	Depreciation and amortization costs (total: all, D and G)										
	Depreciation of intangible assets										
	Depreciation of real-estate										
	Depreciation of plants and equipment										
	Other depreciation and amortization										
	(Every group of depreciation distributed to direct and general costs)										
541 to 549	Provision costs (total: all, D and G) (distributed further to official synthetic accounts and to direct and general within every account)										
55	Non-material costs (total: all, D and G) (distributed further to official synthetic accounts and to direct and general within every account)										
Total operating costs											

Notes:

1. Characteristics of direct costs or expenses for the need of this report have only those costs and analytical parts of costs which directly refer to commercial activities, individual electronic communications services and other activities of the company.
2. Characteristics of general costs have those costs or analytical parts of costs which cannot be directly connected with cost origins and commercial activities, individual electronic communication services and other activities of the operator, but are previously connected to cost centres (functional approach to Costs and Performance Accounting), i.e. activities or group of activities (Costs and performance Accounting further to activities = ABC - Activity Based Costing). General costs in this form are stated together in the column "Cost centres– Groups of activities".
3. In the form there is a possibility to divide each type of expenses into direct and general and shall be applied only to those type of costs in which such division is materially significant.
4. General operating costs of the company are entered in the column "Unallocated" which do not relate in any way to the stated cost origins, nor to the cost centres and group of activities, or their allocation to these objects of costs is irrational.

**Table 5 Breakdown of primary general (operating) costs allocated to cost centres (CC) or group of activities (GA)**

**In RSD**

Group and account	Types of costs	Previous CC or GA					Final CC or GA					Total
						Total					Total	
51	Costs of material											
	- Direct											
	- Indirect											
511	Costs of production material											
	- Direct											
	- Indirect											
512	Costs of other material											
	- Direct											
	- Indirect											
513	Costs of fuel and energy											
	- Direct											
	- Indirect											
	Etc. according to types of general costs collectively allocated to CC or GA from the report Allocation of primary operating costs, distributed further to character of connecting to CC or GA											
Total general operating costs												
- Direct												
- Indirect												

Notes:

1. Direct costs are those general costs from the point of view of cost origins and according to their documents it is well known to which cost centres or group of activities they belong.
2. Indirect costs are those general costs from the point of view of cost origins which are simultaneously general (common) and from the point of view of cost centres or group of activities and are allocated to them by previously determined cost drivers that have been coordinated with the Agency.
3. The Agency can request additional reports regarding allocation of indirect costs and the application of cost drivers.

**Table 6**

**Internal reallocation of operating costs (performances)**

**to previous (subsidiary) CC or GA\_\_\_\_\_**

**for the period from\_\_\_\_ to\_\_\_\_**

**according to \_\_\_\_\_ cost driver**

**in RSD**

Groups and account	Type of costs	Costs further to unit of performance (of cost driver)	CC or GA – receivers of internal performances						T o t a l	
									Cost driver value	Cost amount
			Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount		
1	2	3	4	5 (4x3)	6	7 (6x3)	8	9 (8x3)	10	11 (10x3)
51	Cost of material (distributed further to official synthetic accounts)									
52	Costs for salaries, contributions, compensations to salaries and other personal costs (distributed further to official synthetic accounts)									
	Etc. further to groups of costs until the group 55-Non-material costs and further to official synthetic accounts within every group from the report Breakdown of primary general operating costs allocated to CC or GA.									
<b>T o t a l</b>										

Notes:

1. This report is made for each previous (subsidiary) CC or GA.
2. If one cost driver is used for reallocation of all types of costs and/or subsidiary (previous) CC or GA, then its name is entered in the fields “of cost drivers” within the heading, and in the annex to this report a breakdown of cost driver value is given according to CC or GA receivers of internal performances, when columns “cost driver value” are cancelled.  
If different cost drivers are used for individual types of costs then the columns “cost driver value” are used and in the annex of the report there should be a list of used cost drivers.

**Table 7**

**Allocation of operating costs (performances) of final CC or GA**

\_\_\_\_\_ to other final CC or GA

for the period from \_\_\_\_\_ to \_\_\_\_\_ according to \_\_\_\_\_ cost driver

**in RSD**

Group and account	Type of cost	Costs further to cost driver unit	Final CC or GA – receivers of performances						Cost origins		Total costs	
									Cost driver value	Cost amount	Cost driver value	Cost amount
			Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount				
1	2	3	4	5 (4x3)	6	7 (6x3)	8	9 (8x3)	10	11 (10x3)	12	13 (12x3)
51	Cost of material (distributed further to official synthetic accounts)											
52	Costs for salaries, contributions, compensations to salaries and other personal costs (distributed further to official synthetic accounts)											
	Etc. further to groups of operational costs and further to official synthetic accounts from the report Breakdown of primary general operational costs connected to CC or GA.											
Total												

Notes:

1. This report is made only for final CC or GA the performances of which are not only with cost origins (commercial activities, commercial electronic communications services and other activities) of the company but other final CC or GA as well.
2. Amounts for cost origins are entered only collectively because in the report Allocation of operating costs of final CC or GA cost origins will have distributed analytical costs further to cost origins.
3. If one cost driver is used for reallocation of all types of costs and/or a relative final CC and GA, then its name is entered in the fields “of cost driver” within the heading, and in the annex to this report a breakdown of cost driver value is given according to CC or GA receivers of internal performances, when columns “cost driver value” are cancelled.  
If different cost drivers are used for individual types of costs then the columns “cost driver value” are used and in the annex of the report there should be a list of used cost drivers.

**Table 8** Allocation of operating costs (performances) of final CC or GA \_\_\_\_\_ to cost origin  
for the period from \_\_\_\_ until \_\_\_\_  
further to \_\_\_\_\_ cost driver

in RSD

Group and account	Type of cost	Costs further to cost driver unit	Commercial activity		Types of electronic communications services						Other activities		Total	
			Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount	Cost driver value	Cost amount
1	2	3	4	5 (4x3)	6	7 (6x3)	8	9 (8x3)	10	11 (10x3)	12	13 (12x3)	14	15 (14x3)
51	Cost of material (distributed further to official synthetic accounts)													
52	Costs for salaries, contributions, compensations to salaries and other personal costs (distributed further to official synthetic accounts)													
	Etc. further to groups of operational costs and further to official synthetic accounts until the group 55- Intangible costs allocated to CC and GA.													
Total														

Notes:

1. This report is made for every final CC or GA and includes: (a) part of operational costs of CC and GA which refers to cost origins at CC and GA and besides performances for cost origins directs its performances to other final CC or GA as well (6) all operational costs of final CC or GA if it directs its performances exclusively to cost origins (market performances of the company).
2. If one cost driver is used for reallocation of all types of costs and/or relative subsidiary (previous) CC and GA, then its name is entered in the fields "of cost driver" within the heading, and in the annex to this report a survey of cost driver value is given according to CC or GA receivers of internal performances, when columns "cost driver value" are cancelled. If different cost drivers are used (cost drivers) for individual types of costs then the columns "cost driver value" are used and win the annex of the report there should be a list of used cost drivers..

Table 9

## Calculation of unit costs (cost price)

of the market service \_\_\_\_\_

for the period from\_\_ until\_\_

Measurement unit \_\_\_\_\_ Quantity \_\_\_\_\_

In RSD

Group of accounts	Elements of cost price	Total costs	Costs per unit
51	Costs of material		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
52	Costs for salaries, contributions, compensations to salaries and other personal costs		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
53	Costs of production services		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
part 54	Depreciation costs		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
part 54	Provision costs		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
55	Non-material costs		
	a. Directly allocated costs		
	б. Allocated costs of final CC or GA		
Total operating costs			

## Notes:

1. Directly allocated costs are taken from the report Allocation of primary operating costs.
2. Allocated costs of final CC and GA are taken from the relative reports Allocation of operating costs (performances) of final CC or GA to cost origins and are entered: (a) only as collection of allocated costs of all final CC or GA employed in production and sale of a particular electronic communications service or (б) also analytically further to particular concerned final CC or GA by a concrete service.
3. The calculation could be widened for other expenses, i.e. other expenses further to devaluation of assets and loss in operation that is being suspended (group of accounts 57,58 and 59) for which it has been coordinated with the Agency to be separately calculated by market services (and not within operational and financial risks as part of costs of shareholders equity), in their net amounts after compensation with other revenues of the same type (from group of accounts 67,68 and 69) and after taking parts which refer to market activity and other activities of the company. A separate report would be made for this under the name Allocation of other expenses to costs origins.
4. For the needs of forming the sale price of regulated electronic communications services costs of capital are added to the calculation and have been accounted in the method stipulated hereby.

Table 10

**Calculation of costs of debt  
for the period from \_\_ until\_\_**

in RSD

<b>Groups and accounts</b>	<b>E l e m e n t s</b>	<b>Amount</b>
	I Net financial expenses of the company (1 to 7)	
	1. Net financial expenses (revenues) from relations with parent and subsidiary companies (10-11)	
560	10. Financial expenses from relations with parent and and subsidiary companies	
660	11. Financial revenues from relations with parent and and subsidiary companies	
	2. Net financial expenses (revenues) from relation with other related legal entities (20-21)	
561	20. Financial expenses from relation with other related legal entities	
661	21. Financial income from relation with other related legal entities	
	3. Net interest expenses (revenues) (30-31)	
562	30. Interest expenses	
662	31. Interest revenues	
	4. Net negative (positive) exchange rates (40-41)	
563	40. Foreign exchange losses	
663	41. Foreign exchange gains	
	5. Net expenses (revenues) further to currency clause (50-51)	
564	50. Expenses further to currency clause	
664	51. Income further to effects of currency clause	
	6. Net expenses (revenues) from share in loss (profit) of subsidiaries and joint ventures (60-61)	
565	60. Expenses from share in the loss of subsidiaries and joint ventures	
665	61. Income from share in the profit of subsidiaries and joint ventures	
	7. Net other financial expenses (revenues) (70-71)	
569	70. Other financial expenses	
669	71. Other financial revenues	
	II Liabilities	
40	Long term provisions	
41	Long term liabilities	
42 to 48	Short term liabilities	
	III Cost of debt (I : II)	%

Table 11

**Calculation of capital employed (based on investments)  
for applying weighted average costs of capital (WACC) according to HCA model  
as of 31. 12.**

in RSD

Group and account	Position name	Commercial activities	Type of electronic communication services				Other activities	Unallocated	Total
	I Fixed asset (1+2)								
	a. Directly allocated								
	b. Indirectly allocated								
01	1. Intangible assets								
	a. Directly allocated								
	b. Indirectly allocated								
02	2. Property, plant, equipment and biological assets								
	a. Directly allocated								
	b. Indirectly allocated								
020	20. Land								
	a. Directly allocated								
	b. Indirectly allocated								
021	21. Woods and plants								
	a. Directly allocated WP								
	b. Indirectly allocated								
022	22. Buildings								
	a. Directly allocated								
	b. Indirectly allocated								
023	23. Plants and equipment								
	a. Directly allocated								
	b. Indirectly allocated								
024	24. Investment property								
	a. Directly allocated								
	b. Indirectly allocated								
	Etc. to account 029								

Table 11

First addition

in RSD

Group and account	Position name	Commercial activities	Types of electronic communication services				Other activities	Unallocated	Total
	II Net current assets -capital (1+2-3)								
	a. Directly allocated current capital								
	б. Indirectly allocated								
	1. Supplies								
	a. Directly allocated								
	б. Indirectly allocated								
10	10. Material								
	a. Directly allocated								
	б. Indirectly allocated								
11	11. Unfinished products								
	a. Directly allocated UP								
	б. Indirectly allocated								
12	12. Finished products								
	a. Directly allocated FP								
	б. Indirectly allocated								
13	13. Goods								
	a. Directly allocated goods								
	б. Indirectly allocated								
14	14. Fixed assets intended for sale								
	a. Directly allocated								
	б. Indirectly allocated								
15	15. Advance payments								
	a. Directly allocated								
	б. Indirectly allocated								
	2. Short term receivables and cash								
	a. Directly allocated								
	б. Indirectly allocated								
20	20. Sales receivables								
	a. Directly allocated								
	б. Indirectly allocated								
21	21. Receivables from specific operations								
	a. Directly allocated								
	б. Indirectly allocated								
22	22. Other receivables								
	a. Directly allocated other receivables								
	б. Indirectly allocated								
24	24. Cash equivalents and cash								
	a. Directly allocated CEAC								
	б. Allocated values CEAC								

Table 11

## Last addition

In RSD

Group and account	Position name	Commercial activities	Types of electronic communication services				Other activities	Unallocated	Total
43	3. Short term liabilities								
	a. Directly allocated								
	6. Indirectly allocated								
44	30. Liabilities from operation								
	a. Directly allocated								
	6. Indirectly allocated								
45	31. Liabilities from specific activities								
	a. Directly allocated								
	6. Indirectly allocated								
46	32. Liabilities from salaries and contributions on salaries								
	a. Directly allocated								
	6. Indirectly allocated								
47	33. Other liabilities								
	a. Directly allocated								
	6. Indirectly allocated								
48	34. Liabilities for VAT								
	a. Directly allocated								
	6. Indirectly allocated								
49	35. Liabilities for other taxes, contributions and other fees								
	a. Directly allocated								
	6. Indirectly allocated								
49	36. Accruals and deferred income								
	a. Directly allocated								
	6. Indirectly allocated								
	III Total assets employed - capital employed (I + II)								

**Notes:**

1. Stated positions are entered in this Report further to their net values, i.e. after reduction of their cumulative amortization and other write-offs and corrections of values until the day of making the Report.
2. Degree of analytical approach and synthesizing of positions in this Report is determined by agreement between the operator and the Agency, taking into consideration the real structure of assets and liabilities of the operator and informational needs of the Agency.
3. Operator has the obligation of consistent application of criteria for allocation of positions directly and indirectly with cost drivers, to submit to the Agency adequate explanation in the form of additional analytical reports for materially significant items and to allow unhindered approach to financial records.

**Table 12** **Calculation of capital employed (based on investments)**  
**for applying weighted average costs of capital (WACC) in accordance with the CCA model**  
**as of 31.12.**

**in RDS**

Group and account	Position name	Commercial activities	Types of electronic communications services				Other activities	Unallocated	Total
01	I Fixed asset (1+2)								
	a. Directly allocated								
	b. Indirectly allocated								
02	1. Intangible asset								
	a. Directly allocated								
	b. Indirectly allocated								
020	2. Property, plant, equipment and biological assets								
	a. Directly allocated								
	b. Indirectly allocated								
021	20. Land								
	a. Directly allocated								
	b. Indirectly allocated								
022	21. Woods and plants								
	a. Directly allocated								
	b. Indirectly allocated								
023	22. Buildings								
	a. Directly allocated								
	b. indirectly allocated								
024	23. Plants and equipment								
	a. Directly allocated								
	b. Indirectly allocated								
024	24. Investment property								
	a. Directly allocated								
	b. Indirectly allocated								
	Etc. to account 029								

Table 12

## First addition

in RSD

Group and account	Position name	Commercial activities	Types of electronic communications services				Other activities	Unallocated	Total
	II Net current assets – capital (1+2-3)								
	a. Directly allocated								
	b. Indirectly allocated								
	1. Supplies								
	a. Directly allocated								
	b. Indirectly allocated								
10	10. Material								
	a. Directly allocated								
	b. Indirectly allocated								
11	11. Unfinished products								
	a. Directly allocated								
	b. Indirectly allocated								
12	12. Finished products								
	a. Directly allocated								
	b. Indirectly allocated								
13	13. Goods								
	a. Directly allocated								
	b. Indirectly allocated								
14	14. Fixed assets intended for sale								
	a. Directly allocated								
	b. Indirectly allocated								
15	15. Advance payments								
	a. Directly allocated								
	b. indirectly allocated								
	2. Short term receivables and cash								
	a. Directly allocated								
	b. Indirectly allocated								
20	20. Sales receivables								
	a. Directly allocated								
	b. Indirectly allocated								
21	21. Receivables from specific operations								
	a. Directly allocated								
	b. Indirectly allocated								
22	22. Other receivables								
	a. Directly allocated								
	b. Indirectly allocated								
24	24. Cash equivalents and cash								
	a. Directly allocated								
	b. Indirectly allocated								

Table 12

Last addition

In RSD

Group and account	Position name	Commercial activities	Types of electronic communications services				Other activities	Unallocated	Total
43	3. Short term liabilities								
	a. Directly allocated								
43	b. Indirectly allocated								
	30. Liabilities from operations								
43	a. Directly allocated								
	b. Indirectly allocated								
44	31. Liabilities with respect to specific operations								
	a. Directly allocated								
44	b. Indirectly allocated								
	32. Liabilities with respect to salaries and contributions on salaries								
45	a. Directly allocated								
	b. Indirectly allocated								
46	33. Other liabilities								
	a. Directly allocated								
46	b. Indirectly allocated								
	34. Liabilities with respect to VAT								
47	a. Directly allocated								
	b. Indirectly allocated								
48	35. Liabilities with respect to other taxes, contributions and other fees								
	a. Directly allocated								
48	b. Indirectly allocated								
	36. Accruals and deferred income								
49	a. Directly allocated								
	b. Indirectly allocated								
	III Total assets employed-capital employed (I + II)								

**Notes:**

1. Stated positions are entered in this Report further to their net values, i.e. after reduction of their cumulative amortization and other write-offs and corrections of values until the day of the making of the Report.
2. Degree of analytical approach and synthesizing of positions in this Report is determined by agreement between the operator and the Agency, taking into consideration the real structure of assets and liabilities of the operator and informational needs of the Agency.
3. Operator has the obligation of consistent application of criteria for allocation of positions directly and indirectly with cost drivers as well as to submit to the Agency the adequate explanation in the form of additional analytical reports for materially significant items and to allow unhindered insight into financial records.

**Table 13**

**Summary table for the calculation of capital employed for the application of weighted average costs of capital (WACC) in accordance with the HCA and CCA model as of 31.12**

**In RSD**

Position	HCA value	CCA value	Difference
<b>I FIXED ASSETS</b>			
I INTANGIBLE ASSETS			
II PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS			
1. Property, plant and equipment			
2. Investment property			
3. Biological assets			
<b>II NET CURRENT ASSETS - CAPITAL (I+II-III)</b>			
I SUPPLIES			
II SHORT TERM RECEIVABLES AND CASH			
1. Receivables			
2. Receivables for overpaid income tax			
3. Cash equivalents and cash			
III SHORT TERM LIABILITIES			
1. Liabilities from operations			
2. Other short term liabilities			
3. Value added tax, other tax liabilities, accruals and differed income			
4. Liabilities with respect to income tax			
<b>III TOTAL ASSETS EMPLOYED – CAPITAL EMPLOYED (I+II)</b>			

**Note:** this table is completed on the company level

**Table 14 Value of property, plant and equipment in accordance with the CCA model as of 31.12.**

**In RSD**

No.	Position	HCA value	CCA value	Difference
	<b>Name of property, plant and equipment</b>			
<b>1</b>	<b>Gross value</b>			
2	Cumulative depreciation			
<b>3</b>	<b>Net value at the beginning of the year (1-2)</b>			
4	Acquisitions			
5	Sale disposals			
6	Disposals			
7	Revalorization			
8	Depreciation			
9	Backlog depreciation			
<b>10</b>	<b>Net value at the end of the period (3+4-5-6+7-8+9)</b>			

**Note:** this table is completed for a number of different parts of property, plants and equipment

**Table 15 Adjusted Income statement for the period from 01.01. to 31.12.**

**In RSD**

<b>Position</b>	<b>HCA value</b>	<b>CCA value</b>	<b>Difference</b>
<b>I OPERATING REVENUES</b>			
1. Sales revenues			
2. Other operating revenues			
<b>II OPERATING EXPENSES</b>			
1. Cost of goods sold			
2. Cost of material			
3. Cost of salaries, contributions, compensations to salaries and other personal costs			
4. Depreciation and amortization expenses			
5. Other operating expenses			
<b>III ADJUSTMENTS BASED ON CCA</b>			
Holding gain/loss			
Backlog depreciation			
<b>IV OPERATING INCOME/LOSS (I-II-III)</b>			
<b>V FINANCIAL REVENUES</b>			
<b>VI FINANCIAL EXPENSES</b>			
<b>VII OTHER REVENUES</b>			
<b>VIII OTHER EXPENSES</b>			
<b>IX INCOME/LOSS BEFORE TAXATION (IV+V-VI+VII-VIII)</b>			
<b>X INCOME TAXES</b>			
<b>XI NET INCOME/LOSS (IX-X)</b>			

**Note:** this table is completed on the company level and for each of the services

Table 16

Balance sheet as of 31.12.

In RSD

Position	HCA value	CCA value	Difference
<b>ASSETS</b>			
<b>A. FIXED ASSETS</b>			
I UNPAID SUBSCRIBED CAPITAL			
II GOODWILL			
III INTANGIBLE ASSETS			
IV PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS			
4. Property, plant and equipment			
5. Investment property			
6. Biological assets			
V LONG TERM FINANCIAL INVESTMENTS			
1. Investments in subsidiaries			
2. Other long term placements			
<b>B. CURRENT ASSETS</b>			
I SUPPLIES			
II FIXED ASSETS INTENDED FOR SALE AND ASSETS FROM DISCONTINUED OPERATION			
III SHORT TERM RECEIVABLES, PLACEMENTS AND CASH			
4. Receivables			
5. Receivables for overpaid income tax			
6. Short term financial placements			
7. Cash equivalents and cash			
8. VAT, prepayments and accrued income			
<b>C. DEFERRED TAX ASSETS</b>			
<b>D. OPERATING ASSETS</b>			
<b>E. LOSS ABOVE THE CAPITAL</b>			
<b>F. TOTAL ASSETS</b>			
<b>G. OFF-BALANCE SHEET ASSETS</b>			

Table 16

## Balance sheet as of 31.12. (continued)

In RSD

Position	HCA value	CCA value	Balance
<b>EQUITY AND LIABILITIES</b>			
<b>A. EQUITY</b>			
I SHARE CAPITAL			
II SUSCRIBED UNPAID CAPITAL			
III RESERVES			
IV REVALUATION RESERVES			
V UNREALIZED GAINS/LOSSES ON SECURITIES			
VI RETAINED EARNINGS			
VII LOSS			
VIII TREASURY STOCKS			
<b>B. LONG TERM PROVISIONS AND LIABILITIES</b>			
I LONG TERM PROVISIONS			
II LONG TERM LIABILITES			
1. Long term borrowings			
2. Other long term liabilities			
III SHORT TERM LIABILITIES			
5. Short term financial liabilities			
6. Liabilities with respect to assets intended for sale and assets from discontinued operations			
7. Liabilities from operations			
8. Other short term liabilities			
9. Liabilities with respect to VAT, other taxes, accruals and deferred income			
10. Liabilities with respect to income tax			
<b>C. DEFERRED TAX LIABILITES</b>			
<b>D. TOTAL EQUITY AND LIABILITIES</b>			
<b>E. OFF-BALANCE SHEET LIABILITIES</b>			

**Note:** this table is completed on the company level and for each of the services individually