

Accounting Principles

Monica Willms, 2008-09-30

Accounting Principles

There are different accounting principles for different types of businesses and for various major companies. The principles a company are obligated to follow are partly regulated by law and depend on the nature and size of a company.

History

In several European countries (eg, Germany and Sweden) accounts are affected by the country's tax laws. That has shaped the accounting principles applied in financial statements. In other countries (for example, the U.S. and Great Britain) the results are returned without taxation.

As globalization has taken place and companies have become more and more international, a need for a uniform accounting standard has arisen. In the past, it was difficult to compare and evaluate different companies with one another. In 1973 the International Accounting Standards Committee (IASC) introduced an organization that consisted of auditors who worked out about thirty standards. But they were not adopted by so many countries.

Today

Today, when many companies are large corporations which have subsidiaries in many countries, the need is even greater for common accounting standards to make it easier to compare and evaluate the companies. This is because the investors – as do banks and shareholders – compare different companies. Even the companies themselves compare themselves with other companies with similar activities in order to evaluate the company. Today, there are a couple of international standards such as:

IFRS

International Financial Reporting Standards is an international framework that the EU has decided that all listed companies must apply from the year 2005.

US GAAP

General Accepted Accounting Principles represents proper accounting for companies in the United States. Swedish companies are not allowed to apply this approach for legal accounts.

In Sweden, companies in unlisted groups voluntarily apply the IFRS in consolidated accounts (which Akelius is doing from year-end 2008-06-30). All other companies which are legal entities (eg, Akelius parent and subsidiaries) must not apply to the IFRS. This is where companies apply Annual (ÅRL) and the Accounting General Council (BFNAR 2000:2), or for the Accounting Standards RR 1-29 which have been shut down.

As of January 1, 2007, companies are classified into different size groups according to the Annual Accounts Act (ÅRL).

Larger companies with ÅRL are:

All listed companies

All companies that meet at least two of the following conditions in each of the past two years:

- The average number of employees has been more than 50.
- Has total assets of more than 25 million.
- Has a net turnover which is more than 50 million.

Smaller companies with ÅRL are:

All companies that are not classified as major companies as described above.

Larger groups are:

groups that meet at least two of the following conditions in each of the past two financial years:

- The average number of employees has been over 50.
- Has a balance sheet that is greater than 25 million.
- Has a net turnover which is greater than 50 million.

Smaller groups are:

All groups that are not classified as major groups as described above.

Some Akelius subsidiaries in Sweden are classified as large companies (eg, Akelius Apartments AB (Akelius Lägenheter AB), but most of them are in the group of smaller companies.

In addition to these, there are also complementary rules in a group that applies IFRS, RFR1 and RFR2.

RFR1

Additional accounting rules for corporations.
These are some additional requirements that Sweden requires on the consolidated financial statements.

RFR2

Accounting for legal persons
These principles apply to the parent (Akelius Fastigheter AB). These are the principles that must be applied when IFRS cannot be used for tax purposes because the parent is a legal person and taxed.

Akelius

These accounting principles are applicable to Akelius' Swedish companies

Akelius Properties (Akelius Fastigheter) – group company
IFRS och RFR1

Akelius Properties AB (Akelius Fastigheter AB) – parent company
ÅRL och RFR2

Akelius – Swedish subsidiary company
ÅRL och BFNAR 2000:2

Future

Collaboration - between the IASB which issues standards IFRS and FASB which provides the bulk of U.S. GAAP - is ongoing. The aim is to try and combine these two accounting standards. Deloitte & Touche LLP have conducted a survey in which people from approximately 200 U.S. companies in various industries have responded to a questionnaire regarding knowledge of and interest in IFRS accounting principles. 30% responded that they could consider adopting IFRS immediately if they had the choice. Of the 45% who could not imagine choosing IFRS now, 80% believed that companies would consider adopting IFRS within 7 years. This suggests that U.S. companies have a growing interest in becoming able to present information by means of comparison via IFRS.

Literature

IFRS - I teori och praktik/Bonnier utbildning/2008

Collection volume (Samlingsvolymen) 2007 del 1/Far förlag/2007

2008 IFRS Survey Where Are We Today?/Deloitte Development LLC/2008

<http://sv.wikipedia.org/wiki/Redovisningsprinciper>