

True and Fair View –

A study of the implications of this concept
within IAS and Swedish GAAP

Master thesis in Business Economics
Accounting and Business Economics

Fall semester 2003

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Abstract

Background and problem: The accounting is becoming more harmonised. In June 2002 was it decided that all listed companies, insurance companies and banks have to implement a common accounting system throughout the European Union (EU). This will ease the comparison of the financial statements between companies in different countries and branches. Consequently will the investor's decision-making be facilitated. Even though, all concerned parties have known about the implementation for some time, some problems concerning the timeframe will appear. Another problem is that the actual date for the implantation is 1st January 2004 as a one-year comparison statement is needed. As IASB still is reviewing and changing existing standards will the users have problems knowing what standards to apply. There are also some standards that still not have been put into force.

Aim of study: To elucidate what accounting system, IAS or Swedish GAAP, that gives the most true and fair view of the companies financial statements. The accounting systems view on the concept true and fair will also be investigated.

Delimitations: The study is only focusing on the Swedish market and is not concentrating on any specific branches.

Methodology: Interviews with four IAS-experts at the four major auditing firms in Sweden have been carried out. These interviews have been a support and complementary information for the literature, journals and Internet sites that have been covered in the literature review. The empirical findings have then been analysed in relation to the literature review.

Results and conclusion: We have reached a conclusion that the interpretation of true and fair view is very individual. Hence, is it rather difficult to say which system that gives the most true and fair view. As Sweden accepts IAS as a new accounting system it could be argued that it is not poorer than Swedish GAAP. It will also become easier to compare Swedish companies with other companies within the EU. This is seen to contribute that more investors will look at the financial market in EU. In a couple of years would we probably have reached another result as IAS then already would have been implemented.

Further studies: A study could also be carried out after the implementation has taken place. At this time interviews could be made with both auditors' and companies' in order to reach an understanding of what system that has the most true and fair. It would also be interesting to elucidate whether IAS would be suitable for small and medium size enterprises (SME's) as well.

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Acknowledgement

Many thanks go to our tutor Pär Falkman, who helped us in a number of ways throughout all the stages of our study.

Furthermore, we would like to express our gratefulness to Johan Rippe at PricewaterhouseCoopers, Magnus Nilsson at KPMG, Lennart Axelman at Ernst & Young and ultimately Fredrik Walméus at Deloitte who took time to help us with our interviews.

Finally we would like to convey our love and thanks to our families and friends who have encouraged and supported us throughout the period of our studies.

Thank you,

Jenny, Malin and Malin

1 INTRODUCTION

This chapter will give an introduction to the problem. It will also present a problem discussion, which then follows by the problem definition. Besides this, the aim of study will be addressed. Furthermore, some delimitations of the problem have been done as well as the structure of the study will be drawn. Finally, the chapter will be concluded with some common concepts.

1.1 Background

In recent years, the world economy has become more internationalised. Following this, it has become more common for companies to raise funding on an international market. This internationalisation also includes investors who are looking to invest on an international market, and in that way spread their investments and risks. It can be very costly and time consuming to raise capital on an international market because the accounting principles are different from country to country. Hence, the demand for an international accounting system has increased (Nobes and Parker, 2002).

The work towards an international standard is in full progress, not the least within the European Union (EU). EU has a Single European Market and the fact that the euro now is introduced and a single market for financial services exists, have led to a change in the capital market, the structure of financial institution, the development of financial infrastructure and a change when meeting the needs of retail users of financial services. One of the major ambitions of the EU is to reach a harmonized Europe, within as many areas as possible. In order to achieve this objective within the accounting field, the EU needed a common accounting system, as there previously was complete disharmony in this area. The purpose of a harmonization of financial reporting is to increase financial information for investors. An international accepted accounting standard will also make the financial reporting easier for companies listed on a foreign stock exchange. Harmonizing the accounting system within the EU and applying with International Accounting Standard (IAS) will also contribute to a harmonization worldwide (Bloomer, 1999).

In January 2002 a new accounting law came into use, this law consisted of the analyse-model among other things. The analyse-model treats accountants unbiased and independence, it is set up in order for the accountant to try his/her independence in the standpoint of a companies accounts. This was found to be an interesting aspect to take into consideration as a new accounting system are brought into use in Sweden for the companies on the stock exchange, banks and insurance companies. These companies will need advice, support and help to be able to adjust its accounting to this new accounting system. Beside true and fair view is the study also implying to find how the analyse-model is treated at the accounting firms, and how companies would handle the implementation of IAS without being too tied up and dependent of the accountants. Hence it was considered to be of interest to look at the accounting experts' opinion of how the analyse-model affects the accountants in their work with the implementation. Furthermore, we also wanted to find out to which extent the accountants could help the

concerned companies without losing their unbiased and independence (FAR:s Revisionsbok, 2002).

With a harmonized environment, the consistency and comparability of accounts will increase. This is done in order to remove barriers of the internal movement of capital and exchange of information, which can be achieved by reducing the differences in accounting and company law. The EU directives have reduced many of the differences within the member states, although some differences still exist. A generalisation of the true and fair view was introduced in the EU with the fourth Directive and has become the primary objective of this Directive. The Directive covers all public and private companies in the European Community (EC) countries (Burrowes and Nordström, 1999). The Seventh Council Directive requires worldwide consolidations, a fair value approach is used when accounting for assets, are purchased throughout acquisitions, the equity treatment of related corporations, and segmental disclosure of turnover by business in the same field and geographical area. A result of this directive has significantly improved information disclosure throughout the EU (Gray and Radebaugh, 2002).

By improving the comparability, it will become easier to obtain a more informed international comparison of the businesses performance and forecasts both between countries and branches. This will result in more economic benefits. Furthermore, by having a national and international policy-making the expectations are that the policies will be improved and have a more comprehensive accountability for large and complex organizations. The pressure on harmonization of international accounting, to achieve comparability, is growing day by day (Ibid). As a harmonized accounting system will contribute to more straightforward comparisons, along with that more companies will use the same accounting system, it most certainly will ease investment decisions for investors. This will probably attract further investments within the EU, as investors will achieve a better understanding of company's accounts. Furthermore, investments will not be as time-consuming with a common accounting system, by saving time investors will most certainly also save cost. In addition to that a harmonization of the accounting system will make it easier for companies to raise capital on a global market. By being able to use the global market more efficiently it will also become possible for companies to reduce their cost of capital (Nobes and Parker, 2002).

As mentioned earlier a harmonized accounting system will offer better financial information and more global market opportunities. It could be said that a common accounting system will entice more investments than if companies were to use national accounts. This is because companies will have a wider market to get investments from, as they will be able to utilize the entire European capital market. In fact, they will be able to use the entire global capital market. The companies have a greater choice of where to entice additional capital and the expectation is that it will attract both more capital and more investors (Ibid). Consequently, it could be argued that the implementation of IAS will contribute to the European stock exchanges becoming more attractive to investors both within and outside of the EU. This will lead to the growth of the European market. As already mentioned there are several advantages of implementing a common

accounting system, such as IAS, but there are also some difficulties and complications. At the moment there exists an knowledge gap in this area both among the accounting profession, companies and investors. Moreover, as IAS is a rather complex accounting system it will be difficult to minimise the knowledge gap and it will take time before the benefits of a common accounting system can be fully reached. Furthermore, the implementation of a common accounting system will be very costly and time consuming for the concerned companies, although it will be a one time cost (Van Hulle, 2000)

In March 2002 the Parliament Endorsed the Commissions proposal that all EU listed companies on a regulated market should prepare and publish their accounts in accordance with a single set of accounts. A Regulation was adopted in June 2002, which requires all listed companies in the EU to prepare their consolidated financial statements under International Financial Reporting Standards (IFRS) (1. IASB, 2002 and 2. IASB, 2002,).

1.2 Problem discussion

The process of changing to IAS will be a huge adjustment for the concerned companies and they will have some major work in front of them. The knowledge of how IAS works need to be augmented among the accountants. Furthermore, they will need to identify in which areas and how IAS differs from the current accounting system, in order to know where the changes have to be made. The EU will have to work out a process of how IAS is going to be adopted by the companies. The decision to adopt IAS is now a directive, which means that all the concerned companies within the EU will have to adopt IAS by 2005 at the latest (Van Hulle, K., 2000).

There are numerous of companies within several fields that will adopt IAS for the first time. Some of these companies have expressed some concerns of the complexity of this task (IASB, 2001). The International Accounting Standard Board's (IASB) new standard IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS), is about the procedures which companies will have to follow when they adopts IAS for the first time. This will be the basis for preparing the company's general purpose, the financial statements. It is valid if the adoption of IAS starts on or after 1 January 2004, although an earlier application is encouraged. This is because IAS requires at least one-year comparative financial statements. IFRS 1 has replaced Standing Interpretation Committee (SIC) 8, as it was out of date (IAS PLUS, 2003).

This task is very complex and therefore a great knowledge is required within the area. Additionally, it is not only the accounting profession that will have to have this knowledge, but also the staff within the companies. The concerned parties have high expectations on them when it comes to this implementation as they are going through a process where a lot is required of them. This is due to the task being very complex, in addition to this the decision-making process have happen quite fast. The fact that IASB are reviewing and changing their existing standards is exceeding the problems for those that work with the implementation. IASB still works on the development of some of their

standards and it might not be possible to implement these standards by the deadline of 2005, especially not when considering that the EU wants to have at least 1 year comparative financial statements.

Before the EU made the decision to implement IAS within all companies which are registered on a stock exchange within the EU, banks and insurance companies, it were only 300 European companies that applied with IAS. The decision have lead to that there were about 7000 companies having to apply with IAS and all these companies will have to do this by 1 Jan 2004 at the latest in order to have the 1-year comparative statements (Economic and Social Committee, 2001). The four big accounting firms in Sweden have a group of about 5-10 accountants that are focusing on IAS. As can be understood the few accountants which have an expertise in the area have a great job a head of them in order to help the firms to implement IAS.

It is quite obvious that there will exist some differences between Swedish GAAP and IAS. The question is where these differences will appear and how they will affect the accounts, results and not the least the true and fair view? Both Swedish GAAP and IAS say that the accounts need to reproduce a true and fair view. Hence the true and fair view is different in these two accounting systems. This raises questions such as, which accounting system gives the most true and fair view as well as what view these two accounting system have on the subject? Does EU's decision to implement IAS, in the European companies registered on a stock exchange, banks and insurance companies, introduces a new accounting tradition within these companies? Where does this new tradition, in that case, come from and does it have its roots from Anglo-Saxon or Continental European accounting? How will the accounting customs affect the implementation of IAS?

1.3 Problem definition

Due to that the implementation of IAS is rather extensive along with that IAS is a relatively new accounting system for many of the concerned companies, there will most certainly be problems that all parties concerned will have to encounter. Problems might be raised if the amount of knowledge not is adequate enough in order for the implementation to take place in a satisfactory way. If the existing knowledge not is sufficient it could have a negative impact upon the financial statements. For instance, the true and fair view could be neglected and the companies would consequently present a spurious result. Hence, the readers of the company's statement would be deluded. This would create problems even though it was not done deliberately.

1.4 Aim of study

The discussion above has lead to our aim of the study, which is to describe, elucidate and predict the following question;

Which accounting system, IAS or Swedish GAAP, gives the most true and fair view of the companies' financial position?

1.5 Problem delimitations and Assumptions

There are many problems arising when adopting IAS for the first time. This dissertation is concentrating on where the differences in the appliance of the different accounting systems arise. The study is going to be of a general character and is not dealing with a specific branch, however, the study is only concentrating on the Swedish market.

In the beginning of this study the assumption was that the true and fair view differed between IAS and Swedish GAAP. It was also considered that the true and fair view would change in Sweden when IAS has been implemented. The accounting system that gives the most true and fair view was considered to be IAS as it was seen that the EU would not chose a system that is poorer than the already existing accounting systems.

2 METHODOLOGY

The methodology will cover the procedure of how the study was completed. A discussion will take place of why the specific subject was chosen and why it awakened our interest. Furthermore the empirical study will be addressed considering the choice of auditing firms and interviewees. Moreover, the primary data will be discussing the interviews; the secondary data will then follow addressing the literature research. A description of the empirical research has been given and the chapter is concluded with self-criticism.

2.1 Empirical setting

As we all are interested of accounting and there is a lot going on in this area at the moment we talked about studying an accounting system such as IAS. At first we discussed to investigate what accountants and companies within Sweden thought about the implementation of IAS. We also thought it would be very interesting to investigate if the knowledge among the accountants is adequate in order for the financial statements to give a true and fair view when changing to IAS. However, as the implementation not yet have happened it would be very difficult to accumulate relevant data that would be sufficient in order to reach a reliable analysis and conclusion. These are the underlying factors for our decision to investigate which accounting system, IAS or Swedish GAAP, gives the most true and fair view of the companies' financial position. Furthermore, we consider the subject matter for the study to be right in time, as the closing date of adopting IAS is getting closer.

2.2 Empirical study

2.2.1 Choice of organizations

The criteria of suitable organizations, which were going to take a part of the study, were that they needed to work frequently with the questions raised about IAS and the implementation. Hence, the decision to contact the major auditing firms within Sweden was made. The information of which these firms were was found on the Internet. Each one of the four major auditing firm's web pages was visited in order to see whether the firm was appropriate for the study or not. The four auditing firms, which was selected was PricewaterhouseCoopers (PwC), KPMG, Deloitte and Ernst & Young as these firms were found to be most suitable for the study.

2.2.2 Interview

After the homepage was visited an email was sent to one of the contact addresses at each web page. The first reply was from KPMG and an interview was arranged with Magnus Nilsson. This interview took place at KPMG's office in Gothenburg, on the ninth of December 2003 at 9am. The next reply was from PwC and this interview was set up with Johan Rippe at PwC's office in Gothenburg, on the fourth of December 2003 at 8.30am. There were some problems of getting in touch with experts at the other two firms

in Gothenburg, Ernst & Young and Deloitte. Due to that, two accountants from these firms' offices in Stockholm, was contacted and hence telephone interviews was being used. The accountants were Lennart Axelman from Ernst & Young and Fredrik Walméus from Deloitte. These interviews took place at one of the authors' home on the 19th of December 2003 at 1pm respectively 3pm.

The interviews were semi-structured, as this interview method was found to be most suitable for the study. The questions and themes had been determined in beforehand as the interviewees required to see the questions in advance in order to be as prepared as possible. This also enabled us, as interviewers to be as organized and prepared as possible. However, the questions varied between the interviews as the flow of the conversation differed. During some of the interviews it was suitable to include further questions whereas in others it was more appropriate to exclude some questions. To be able to examine the results from the different interviews the conversations was recorded both by writing main points and tape recording. This enabled us to focus on what the interviewees actually said rather than concentrating on writing notes. As mentioned earlier, the information collected from the interviews was used as an additional source of information to the literature.

Our interviews followed the interview guides as can be seen in Appendix 2. Many of the issues addressed in Trost's (1997) book were taken into consideration when preparing the interview guide and the interview itself.

2.3 Primary data

In order to collect the primary data for the study it was decided that it would take the form of personal-interviews and telephone-interviews instead of carrying out a survey, as we considered this method to be more appropriate for our study. The reason for using interviews were that it would enable us, as interviewers to ask the interviewees for further clarification of answers and attitudes as well as it would give a more precise and clear picture of the respondent's actions. Two of the interviews were carried out by phone as none of the experts within this area at the Gothenburg offices of Deloitte and Ernst & Young, were able to meet with us. Furthermore, the quantity of accountant contacted for taking part of the study was quite small so this was a further argument for doing interviews rather than a survey. However, the interviews could be rather difficult to interpret and analyse. Nevertheless, the interviews have rather been used as a complementary source of information to the data collected from the literature.

2.4 Secondary data

To be capable of interpret and understand the study's primary data, a secondary research have been carried out in order to use this data as a comparison tool. We are not trying different theories in this study, instead it will be more focused on the compilation and describing laws and recommendations that concerns auditing and accountants about the implementation of IAS. This will constitute the theoretical study. However, a

deductive approach will be used as we follow the four interpretations levels (Jacobsen, 2002):

At the beginning we already had an opinion that the true and fair view will change when implementing IAS, and we standardize this opinion throughout the study. At the next level, the interviewees will interpret the interview guide in their own way followed by the third level where we as researcher will interpret the answers of the interviewees. The final level will give the reader a change to interpret the results in their own way.

The interpretational theory have been chosen to be used in this study, as it gives the possibility to do an interpretation and in that way give meaning to the problem being dealt with in this study.

Our conclusions will be drawn based upon the connection between the available litterateur, the common recommendations that exists within the topical area, and the empirical study. Secondary data within this study is mainly collected by literature and other publications published by FAR as well as IASB but also information from other suitable articles.

2.5 Empiric research

The empiric research has been carried out through interviews and discussions. We have used face-to-face interviews, as well as telephone-interviews, with a low structure and the shape of semi-structured interviews. A semi-structured interview was used, as we did not want to limit the respondents' answers by doing a structured interview. By using a semi-structured interview we enabled the respondents to speak freely about the subject so that the interviewees did not have to give structured answers (Saunders et al, 2000). Furthermore, we wanted to be able to ask supplementary questions based on the respondents replies.

2.6 Criticism

Criticism can be given to the number of interviews. If more interviews were conducted the study could have gained even more depth. However, as there is rather few auditors/accountants that are experienced enough within the area, additional interviews would probably not enhance the credibility of the study or depth. Further it could be argued that additional auditing firms could have been used. It was considered that smaller firms did not work with IAS to the same extent as the four chosen firms. Hence, their contribution would not be as appropriate for the study as the information from the four chosen firms. Moreover, criticism could also be given to that the companies' points of view not have been included in the study. The reasons for not including the companies' opinion on the matter are that many of the concerned companies are having problems with the implementation of IAS. It was therefore considered that the information from these companies would not be sufficient.

Given that the introduction of IAS has not yet happened, it could be questioned whether the study objectively has been able to capture relevant information offered as the literature available is written for another specific focus. This has also contributed to that a various amount of literature not have been used. Consequently, within some topics much of the information has been collected from the same literature.

3 LITERATURE REVIEW

This chapter will give an explanation of what accounting theory is and how it is used in accounting. Some of the more important differences between Anglo-Saxon and Continental European accounting as well as the alteration towards Anglo-Saxon accounting in Sweden will be discussed. After this the harmonization and the view of accountants and their independence will be addressed, followed by the analyse-model. A discussion of the differences in accounting legislation between IAS and Swedish GAAP will also be presented. Additionally the adjustment from Swedish GAAP to IAS and the affects of changing accounting system will be addressed. Finally, the chapter will be concluded with a discussion about the true and fair view within Europe, Swedish GAAP and IAS.

3.1 Accounting theory

Accounting theory may be defined as logical reasoning in the form of a set of broad principles that (1) provide a general frame of reference by which accounting practice can be evaluated, and (2) guide the development of new practices and procedures. Accounting theory may also be used to explain existing practices to obtain a better understanding of them. But the most important goal of accounting theory should be to provide a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practice (Hendriksen, 1982).

The form of how accounting information is reported to decision makers depends on the practices adopted. These practices are compulsory by accounting policy makers that have knowledge of accounting theories and the responsibility of acting in response to the needs of users of accounting information (Glautier and Underdown, 1992).

It might be desirable with a single general theory of accounting, but in the sense of logical and empirical science is the accounting still in a too primitive stage for such a development. Realistically, the closest we can get to this in this developmental stage is a set of theories and sub theories which may be harmonising or rivalry. As there is no existing clear-cut general theory of accounting, authoritative bodies' recommendations can only be viewed as informal solutions to pressing problems of the moment (Kam, 1990). All theories are being adjusted or rejected with the development of new information or new theories that allow better forecasts. Thus, predictability is a relative expression, which will improve gradually along with the development of better theories and methods of applying the theories effectively. Although it is hard to measure the reliability of predictions, this is due to the behavioural implication of the prediction itself. A theory, which may lead to the forecast of business failure, could cause such a failure if people believed the forecast. If investors and creditors would deny a firm with difficulties funding, they could cause the firm into bankruptcy. Accountants are aware of this risk with traditional accounting procedures and these concerns can increase with more accurate forecasts. Therefore, the ability to predict is not the only consideration in the development of theories in accounting. Most of the time it has to be considered which ability the theory has of measure risk and which likelihood that the prediction is a truthful

statement of future events (Hendriksen, 1982) The purpose of theory is to find answers to questions, additionally the answers need to be reliable. Theory is needed to give those answers; good practice is based on good theory (Kam, 1990).

Accounting theory can strongly influence the accounting practice. A good example of this is the case of microeconomics in the Netherlands. Accounting theorists in the Netherlands had developed the case that the users of financial statements would be given the fairest view of the performance and state of affairs of a particular company by allowing accountants to use judgement in the circumstances of that company, and to select and present accounting figures. It was suggested that replacement cost information might give the best picture. The looseness of law and tax requirements, and the approachability of the profession to microeconomic ideas have led to the present assortment of practice, the importance on 'fairness' through judgement, and the experimentation with and practice of replacement cost accounting. (Nobes and Parker, 1991)

A theory can be viewed as a model, and a model symbolize something that is real. In order to get a "good" theory for accounting, the overall objective of accounting must be clearly uttered and included in the theory in order to know what the necessary components for the model are (Kam, 1990).

There are numerous ways of classifying accounting theories; a useful way is to classify theories according to the forecast levels. The three main levels of theory are;

Theories are set out to explain the existing accounting practices. However, the reaction of the accounts can be foreseen in certain situations or how specific events would be reported. These theories relate to the structure of the data collection process and financial reporting (syntactical theories).

Theories focus on the relationship between a phenomenon (object or event) and the term or symbol representing it. This level can be referred to as interpretational (semantical) theories.

Theories that call attention to accounting reports and statements and which effects behaviour or decision orienting have. These are referred to as behavioural (pragmatic) theories (Hendriksen, 1982).

3.2 Interpretational theory

There are several different approaches to accounting theory; these approaches are not independent of each other. A few of these approaches are behavioural theories, deductive reasoning, inductive reasoning, interpretational theories, and macroeconomic approach. The macroeconomic approach is widely used in Sweden.

Accountants have tried, for a long time, to find a connection between accounting measurements and economic or physical concepts of real-world incidents. The interpretations of an accounting structure will not be meaningful unless the symbols and words representing descriptions or measurements are related empirically to real-world phenomena. If this relationship would not exist, the accounting structure becomes an exercise in circularity without empirical meaning. The interpretation of concepts should be the same as the interpretation made by the users of the accounts. Therefore, theories relating to interpretations are necessary to provide meaning to accounting propositions (Hendriksen, 1982).

Accounting concepts are not interpreted and do generally not have a meaning other than as a result of specific accounting procedures. An example of this is for example asset valuation, which generally is a figure that is a result of the application of specific accounting procedures as first-in, first-out or the application of straight-line depreciation to historical costs. Accounting theory aims to give a meaningful interpretation of accounting concepts and evaluate alternative accounting procedures in terms of these interpretations. However, general concepts cannot be interpreted and are given different meaning by different researchers. When applying the interpretive theory, a sub concept to which specific rules of interpretations can be applied must be provided. Moreover, if it is not possible to use market quotations other accounting procedures in terms of the interpretation could be evaluated as an alternative. Verification of interpretational theories can be achieved from research studies. These studies are to find out if the users of the accounts understand the information provided by the accountants and are reliable with the theory. Accounting numbers and classifications varies with respect to the degree of interpretation that can be inferred by the reader of the accounts. Theories which highlight interpretation has a role of finding ways to develop the capacity of accounting information to be interpreted in terms of human observations and experience (Ibid).

3.3 Anglo-Saxon versus Continental European Accounting

Currently an international accounting harmonisation is constantly being discussed, where references are made to accounting model categories. There are differences between Anglo-American, or Anglo-Saxon, which will be used from now on, accounting cluster and the Continental European cluster. In the harmonisation debate, which is going on at the moment, the term Anglo-Saxon accounting is being used with regard to the acceptance of IAS in Europe.

There are several differences between the Anglo-Saxon model and the Continental European model (Ooghe, 2003). This part of the dissertation implies to express the most important differences between the Anglo-Saxon model and the Continental European model. (d'Arcy, 2001) A short definition for each of these models is:

“Anglo-Saxon model is typical in Anglo-Saxon countries and is known as the shareholder model” (Ooghe, 2003).

“The Continental European model has adopted its characteristics from the German and the Latin countries and is known as the stakeholder model” (Ibid).

In the developed countries the accounting was urbanized through two completely different accounting traditions, the Continental European and the Anglo-Saxon tradition. In the foundation the Continental European accounting included the Western European countries with exceptions from Holland, Great Britain and Ireland. From the mid 19th Century and on wards the Continental European tradition did have a great impact on Japan and their accounting. The Anglo-Saxon tradition included Holland, Great Britain, Ireland, USA and the British Empire (Smith 1997).

The differences in the traditions originate from the differences in the civil rights tradition. The Continental Civil right has its origin from Roman community law, which are built upon written law. The Anglo-Saxon tradition on the other hand is mainly built on common law. This development has, in a way, affected the accounting by that the accounting professions rather than legislations developing it. Another contributory factor is the differences in both traditions view of the owner structure in larger companies. The Continental European countries owner structure has mainly been dominated by banks, Government and family interests. The Anglo-Saxon tradition has rather had a greater spread in the ownership of the companies as they have had a greater extent of listed companies. Furthermore, the accounting profession has always been, and still are, greater and stronger in the Anglo-Saxon countries (Ibid).

If the accounting law is applied in the Continental European countries, the accounts are prepared correctly. In Anglo-Saxon countries on the other hand, the accounts need to show a true and fair view in order to have a “correct” accounting. The Continental European accounting is more based upon rules when it comes to the shape of the balance sheet and profit and loss account etc. Although, the development in value questions have been the opposite because of countries with the Continental European tradition do not have a legislation which say what “correct” values are. However, it has also a connection between results and taxations (Ibid).

This connection between accounting and taxation does not exist in the Anglo-Saxon tradition. Instead different value rules have been used. A consequence of this is that the accounting has been developed to be more “free” in these countries. This has lead to, especially in the USA, that the accounting profession have developed their own, and sometimes very strict rules for what is allowed to be expressed as a true and fair view. A result of this is that in several cases each accounting question has been an object for civil law, which is foreign for the Continental European tradition (Ibid).

Lately it can be seen that the Continental European accounting is getting closer to the Anglo-Saxon tradition. This is the result of the development of the multinational companies, which can be listed on several stock exchanges, and also the internationalisation is mainly built on the Anglo-Saxon tradition (Ibid).

Anglo-Saxon countries have a low concentration of shareholders whereas in Continental European companies shareholder groups hold a larger percentage of the total number of shares that are publicly traded. It is a fact that there are more publicly traded companies in Anglo-Saxon countries and this leads to the shareholders being able to spread their money over a greater number of companies. Additionally the companies in Anglo-Saxon countries are in general larger than their Continental European equivalents. In the Anglo-Saxon firms a great percentage of shares represent enormous amount of capital. Furthermore, Anglo-Saxon countries have a large number of listed companies while Continental European countries only have a few firms which are listed (Ooghe, 2003).

The agents of financial institutions hold most of the shares within Anglo-Saxon countries. In Continental European countries on the other hand they are mainly held by private companies, financial institutions and by private persons. Because of legislation, several financial institutions are not allowed to hold shares in publicly listed companies on their own behalf; they are rather used as agents. In Continental European countries agents are not used to manage the affairs of the private persons and companies (Ibid).

The companies in the Anglo-Saxon countries have a small amount of personal contact with their shareholders. The pension system in these countries offers several financial resources, which come to the stock market through the institutional investors. In the Continental European countries the people invest their savings on an individual basis (Ibid).

Companies in countries, which apply the Continental European model, hold large stakes in other similar companies and shareholding also moves in the opposite direction. The diverse patterns of control, which are often maintained over time, are regulated by the existence of different holding and pyramidal structures in the companies. The ownership structure in Continental European countries is not as transparent as in Anglo-Saxon countries; this is because of the number of joint shareholdings and the limited degree of information disclosure. Regulations such as anti-trust laws and the "arm's length rule" between parent and subsidiary have limited the complexity of the ownership structure in Anglo-Saxon countries. These differences in the business context are the most important reasons for the differences between the corporate governance models. Due to the low concentration of shareholders in Anglo-Saxon countries, the shareholders, mostly, do not have a significant power in any firm. The result of this is that management have the power to decide in the decision concerning the company. In the Continental European model on the other hand the shareholdings can be used to control the firm and make decisions as they only have a few shareholders which hold a large percentage of the companies' shares (Ibid).

The management has the power to make decisions in the Anglo-Saxon model, and they will make the decisions so they are in favour of their own interest, this in turn leads to over-investment. The management wants to make the firm larger as that increases their power. A consequence of this is that investment will be done even though it does lead to a low or negative profitability. Hence, over-investment will give power to management,

but leaves shareholders with a lower profitability as managers will invest even if the forecast of making a profit is poor. The Continental European model on the other hand gives a great power to a few shareholders which keep control over the firm and make decisions which increase the profitability of the firm rather than making the firm larger (Ibid).

The three following objects, conceptual approach, accounting practices and international alliances, need to be identified when deciding if the accounting is made in an Anglo-Saxon way. The relevance of the identification of a group of similarities in objects is only gained in the context of a wider classification. Thus, Anglo-Saxon accounting could only be a useful category when put in the context of other accounting systems. True and fair view/Present fairly is features, which distinguishes Anglo-Saxon accounting (Nobes, 2003).

The Continental European model is shareholder concentrated, the structure of the ownership of several firms is characterized by the participation of control and holding structures. These mechanisms have enabled the shareholders to keep control over their investments, while the complex patterns of control refuse transparency to the company's structure. An additional disadvantage of the Continental European model lies in the limited financial resources, which are available to companies. As the ownership is concentrated there are only a few owners who are supplying equity to the firm. The transfer of cash flow from one company to another is a common practice in Continental European countries. The lack of transparency makes it possible to transfer cash flow from a well performing company to a related, but badly performing company (Ooghe, 2003).

3.3.1 Alteration in Sweden

Sweden has always belonged to the Continental European accounting tradition. Hence, during the last decades Sweden has been, to a greater extent, affected by the Anglo-Saxon tradition. The element that is left of the Continental European model today is mainly just of formal nature. Although, the connection between accounting and taxation still remains, deflections, towards true and fair view, can clearly be seen in the balance sheet and profit and loss accounts (Smith 1997).

3.4 Harmonization and the view of auditors' independence.

In the year 2002 the new law for auditors was introduced, containing the analyse-model. This model will be used when judging the auditors' independence and impartiality (FAR:s Revisionsbok 2002).

Auditors have a very strong demand on how they practice their work, the consequence of this is that the profession is heavily controlled. If the auditors' obligations are not followed, disciplinary actions will be directed towards that auditor. These actions could be a reminder, warning or a warning with a fee. The action to be used depends too what degree the accountant has been influenced. The authorization of approval could be

delaminated immediately if the auditor has been profoundly influenced. The auditor could also be obligated to pay damages to the client, shareholders and other persons that have suffered because of the auditor's actions (Ibid).

A country's culture has a heavy influence on the accounting practices. A drastic change in the political or economic system of the country will most certainly change the objectives of financial reporting. The movement toward a market-oriented economy, in developing countries, has conveyed a need of an audit of the financial reporting system. The audit in accounting and disclosure standards is thought to be vital for the success of economic reforms. Countries with a centrally planned economy have a traditional accounting focus on the stewardship concept. Their changeover to a market-based economy makes the financial and operational information to be of primary importance. This changeover requires a reorientation of the auditor in these countries. Developing countries have actively taken steps to address these issues. Such a change will take place when several developing countries are adopting IAS (Iqbal, 2002).

Sweden is not the only country where the auditors' organization is working with the auditors' independence. The international accounting organization International Federation of Accountants (IFAC) has during the past years been working with similar questions. IFAC adopted a new chapter containing new rules of the organizations ethics, Code of Ethics, as well as the independence of these rules. These rules also contain an analyse-model equivalent to that model, which have been proposed to the EU-recommendations. The prospect to the EU-recommendations contains only minimum rules, which entails each member state the possibility, if they wish, to set more rigorously rules at a national level. This is the big difference between the analyse-model within Sweden and the proposal to the EU-recommendation. Due to that the analyse-model already have been introduced in Sweden, a big step has been taken towards harmonization and the view of auditors and questions of their independence within the EU (FAR:s Revisionsbok 2002)

3.5 Analyse-model

At January 1st, 2002 the analyse-model was put into force. The model is edified on the following three steps:

- 1, Identification of possible circumstances, which typically could constitute a threat towards the independence and impartiality of the auditors.
- 2, A judgment if there are any reasons to question the auditors' capability or volition to conclude the assignment with independence and impartiality. At the same time the proceedings of reliance is taken into consideration.
- 3, Documentation of the investigation.

All the known and unknown circumstances for a third person at the investigation have to be taken into consideration according to the new law of accountants. It could be both personal and economical transactions between the examinee and the auditor (FAR:s Revisionsbok, 2002).

3.5.1 Step 1 Identification

Step one in the process is to analyse if there are any circumstances, which could disturb the reliance for the auditor's independence and impartiality. The auditor should at the prospect of every new assignment as well as continuous test if there are any circumstances for independence and impartiality. There are five situations that could entail the auditor to decline or resign an assignment, if any of these is carried out (Ibid).

1. *Own interest:* This means that if the auditor, direct or indirect, has an economical interest of the clients business, it could be a relative or friend, that has shares in the business, which is going to be audited, or somehow is involved in the business (SRS, 2002). Another example of own interest is if the remuneration to the auditor is depending on the results of the business.

2. *Threat of self-examining:* In this situation the auditor have a standpoint, already before the investigation starts, about the relationships that are going to be investigated. This could affect the reliability to be weaker. It could be explained by alleged separate guidance being made by the accountant who will latter wholly or partially be part of the investigation (FAR:s Revisionsbok, 2002). Another existing threat is if the accountant previously has been employed at the company.

3. *Party position:* This situation could appear if the auditor represents a client in negotiations concerning acquisitions or selling the businesses accounted assets. It also concerns if the auditor should be a deputy in a tax process or if the accountant assists a client negotiating with the tax authorities (SRS, 2002). There is no difference if it is the auditor in person or anyone else in the auditing group.

4. *Threat based on friendship:* When there are close personal relations between the auditors, or anyone in the auditing group, and the client, the auditor could be too kindly prepared concerning the client's interests. This results in greater independence and impartiality.

5. *Threats of terror:* If the auditor is exposed for threats or put on pressure by the client, and the intention is to make the auditor to feel discomfort, it is classified as a threat of terror (FAR:s Revisionsbok, 2002).

A general clause has been put into practice, as it is impossible to include all threats that could influence the accountant's trust (SRS, 2002).

At times when the analyse-model is being used the accountant should follow the guidance in the law of accountants as well as taking the IFAC's Code of Ethics, into consideration, but only to the extent it follows Swedish law and praxis (FAR:s Revisionsbok, 2002).

3.5.2 Step 2 Elimination of circumstances damaging the reliance

If the circumstances are of such character as there are no reasons to question the independence and impartiality of the auditor, the presumption that the auditor has to decline an assignment could be broken. If the auditor's reliance could be guaranteed through specific procedures the presumption could also be broken (Ibid). The auditor has the burden of proof that there are no obstacles in order to complete the assignment (SRS, 2002). If the auditor have been employed a couple of years earlier and that position did not include any junction to the accounting process of today the independence and impartiality of the auditor should not be quested (FAR:s Revisionsbok, 2002).

There are three courses of actions that the auditors could take in order to minimize threat of self-examining. These actions are: Informative actions, internal office actions and external actions.

3.5.3 Step 3 Analyses documentation

The analyse-model has been complemented with the obligation to document the analysis. This is due to that the supervision authority, afterwards, will be able to control that the analysis is correctly made and in a satisfactory way. All the standpoints and considerations that the accountant takes should be included in the analysis. The analysis should be finished at the same time as the auditor's report at the latest. Nonetheless, is it more likely that nothing will be forgotten and everything will be included in the analysis if the analysis could be finished at an earlier stage (FAR:s Revisionsbok, 2002).

An exception from the demand of documentation is a simpler sort of guidance, like the kind of advice that not has been planed, such as answering simpler questions over phone and e-mail as well as sending recommendations or other information (SRS, 2002).

Due to the analyse-models demand on the auditors, concerning independence and impartiality, makes the performance of the auditors work more easily to control. The annual reports becomes more comparable and the true and fair view will be rather the same in all the member states of the EU contemporaneously with that new laws, standards and recommendations arise simultaneously as they become more and more harmonized with each other. A move towards IAS as a part of the harmonization of the accounting system makes it easier to compare statements of auditors between different countries as well.

3.6 Differences in accounting legislation

The accounting legislation in Sweden is designed to satisfy all the interested parties need of information; some of these parties are the owners, investors, employees etc. External accounts and the content of these are affected by whom the accounts are prepared for in the first place. Hence the requirements to disclose information differ from company to company. As the external accounting in small companies are prepared for other interested parties compared to large companies on the stock exchange, the accounting legislation in Sweden sometimes require less and more simplified information from the small companies than from large company (SOU, 2003).

IAS aim is to satisfy the international industries needs. Because of this the regulations are mainly focusing on the companies consolidated accounts. These accounts should provide satisfying information based on the owners and investors requirements. IAS have therefore a different starting point than the Swedish accounting legislation and the differences which arise as a consequence of this must be considered in order to judge if IAS is a suitable legislation for listed companies annual reports and for non-listed companies consolidated accounts and annual reports (Ibid).

From an accounting perspective the changeover to IAS involve, among other things, that real value will be used more often, than historical value if compared to the requirements in Årsredovisningslagen (ÅRL) concerning the valuation of assets. Furthermore, IAS is more complex and includes more requirements of disclosures (Ibid).

There exist some conflicts, between the two accounting systems, in certain areas when it comes to how e.g. an entry shall be classified, valued or accrued. These conflicts are not a problem when it comes to the listed companies consolidated accounts as IAS legislation replaces the directions in ÅRL (Ibid).

3.7 Adjusting from Swedish GAAP to IAS

IAS will be translated into the different languages of the member states. This can be of importance for the national legislations, which have had their starting point from IAS in that degree that they are intended for larger vicinity than listed companies. For Sweden this means that the role of Redovisningsrådet (the Swedish Financial Accounting Standards Council) is changing. The work of giving out Swedish recommendations based on IAS is almost completed, most of the standards have an equivalent Swedish recommendation. Market valuation is still not allowed in Swedish companies. Consequently will IAS cause a change, as market valuations are required. Most certainly will this entail extensive work, as the valuation principle is new for several companies. Swedish companies are not allowed to utilize market valuation in their accounts until there have been a change in law as ÅRL does not allow market valuation. Furthermore, if a company states that their accounts are being prepared in accordance with IAS they will have to do so completely. At the moment there exist some differences between Swedish GAAP and IAS (Axelman et al, 2003).

3.8 Change of accounting standards

An example that describes what the consequences can be when there exists differences in the view of the accounting system, between countries, is when Mercedes was going to be listed on the American stock exchange. The German accounting system is more influenced by the prudence concept compared to US GAAP.

When Mercedes accounts was prepared in accordance with German GAAP they were showing a positive result. It was then decided that the company should be listed on the American stock exchange. When a company is published on the American stock exchange they will have to follow the American set of rules, US GAAP, and their view on accounting. When this was done, Mercedes showed a negative result.

This example are intending to show that the view of accounting is changing depending on the existing legislations, recommendations and system, which will result in different final results.

The implementation of IAS is positive for the investors as it will be easier to compare the accounts between different companies no matter which EU member state they are from. Although, it will still be hard, at least in the beginning, as the new accounting system is very complex and requires a lot of efforts by the investors to actually understand the accounts (Wilson, 2002). This enables the investors to invest with equal conditions throughout the entire EU. This can be devastating for the companies considering that each country has a tradition of which view they have on accounting. A consequence of this can, in worse case, lead to that it puts companies in an economical crisis.

3.9 True and fair view

True and fair view is a correct statement of a company's financial position as shown in its accounts and confirmed by the auditors" (Norstedts, 1995, p578).

The appliance of a true and fair view will differ depending on which accounting system being used. A true and fair view in Swedish GAAP will differ from a true and fair view when applying IAS. However, both accounting system are claiming to use a true and fair view. Moreover, if a conversion from one of these accounting systems to the other is done the two different financial statements will show different results.

True and fair view is a broad and general concept. When the accounts are being reported according to true and fair view, is it an effort towards providing unbiased information of different components, which affects a company's intrinsic value (Ekholm and Troberg, 1998).

When true and fair view is being defined, the criterion needs to be fulfilled in order for the information to be true and fair need to be determined. The problem with fairness in economic theory is a classical problem (Ibid). Furthermore, as true and fair view is a

question of interpretation some problems could appear even though a definition has been determined. The signification of the definition of the true and fair view will vary between individuals, depending on their background and knowledge.

According to Flint (1982) does true and fair view have a theoretical quality of great value as it distinguishes the cultural dependence of accounting and financial reporting, as well as the fact that it is constantly developing to meet the needs and expectations of the shifting social and economic environment. Flint (1982) also argues that what seems to be a true and fair view is in the end a question of ethics or morality. It can be assumed that the preparers, auditors and users of financial statements share a common understanding of the use of financial reporting. Moreover, alternatives between alternative-accounting procedures are made by managers, which are confirmed by auditors and accepted by shareholders on the basis of compromises of what is fair (Nobes and Parker, 1991).

According to Walton (1993) is true and fair view defined by current accounting practice, in addition, this interpretation is supported by the legal opinion of Arden (1993). True and fair view cannot be interpreting by the Court without verifications from the practices and views of accountants. These practices and views act in response to such matters as proceeds in accounting reflection and changes in the economic climate and business practice, true and fair view is a dynamic concept (Ibid). In order to meet the requirement of true and fair view is it important to comply with the accounting standards (Ekholm and Troberg, 1998).

The EC's Directive requires that the annual accounts should give a true and fair view of the company's position and results. The terminology true and fair view comes from English law and have been used in English annual accounts for a long time. The requirement for companies applying a true and fair view comes from the users, meaning that it should be a true and fair view from the users' point of view. That leads to that the true and fair view will differ depending on who the user is and what expectation the user has on the information given by the firm. It is therefore important to know for whom the annual accounts are prepared. Nevertheless, in a practical appliance of true and fair view, is it impossible to give the terminology such a meaning. In order to give the requirement a meaning, the annual accounts need to be applied in accordance with general accepted accounting principles and issued recommendations. The users therefore expect, if they have not gotten any other information, that this have been the starting point for the information given (Thorell, 1994).

True and fair view has distinguished characteristics, as it should show the reality. Therefore is the portrayal more important than any particular rules of practice, and the existing requirement is to break rules, if necessary in order to express the reality. The overriding statues of true and fair view is being supported because, many accounting authorities, feel the need for some type of insurance against unfair reporting. This provides a protection against an unfair presentation, which can be insisted on by auditors to guarantee comparability (Ekholm and Troberg, 1998).

3.9.1 True and fair view in Europe

The true and fair view in the EU starts with the fourth Directive (Nobes and Parker, 1991). Moreover, true and fair view is the primary objective of this Directive and it covers public and private companies in all EC (prior EU) countries (Burrowes and Nordström, 1999). The first draft of this Directive was published in 1971, this was prior United Kingdom, Ireland and Denmark entered the EC. Consequently were the draft heavily influenced by German company law. Therefore were the valuation rules conservative, the formats were arranged in rigid detail, and the note disclosure were very limited. Later on, the United Kingdom and Ireland influenced the EC Commission to have a more modified draft, which were issued in 1974. This introduced the concept of 'true and fair view'. As this process continued the transmission of the financial Directive, 'true and fair view' was established as a predominant principle in the preparation of financial statements (Nobes and Parker, 1991). Implementing the concept true and fair view requires companies to disclose supplementary or different information (Iqbal, 2002).

There is an uncertainty in the terminology true and fair view. The terminology is part of the EC community law and should finally be interpreted, only by the EC court of justice. The consequences of this will be that it is not possible to give a closer direction of how the terminology should be interpreted (Svensson and Edenhammar, 1996). The norm-setters within the accounting field are not able to identify the meaning of the concept true and fair view, although they use the concept in one-way or another (Ekholm and Troberg, 1998). Furthermore, as this uncertainty exists it has led to that the true and fair view has been influenced by each country's accounting customs and praxis when the concept was adopted in the legislation. However, this is not right as it have been introduced within the EC community law in order to get a harmonised accounting legislation within the member states (Svensson and Edenhammar, 1996).

The requirement of the EC community law is that an annual report should give a true and fair view of the company's position and results. Hence, there is a difference between the terms true and fair view and general accepted accounting principles. This difference is considered to be of great importance and it is therefore not possible to reject the requirement of observing the general accepted accounting principles. General accepted accounting principles could be characterised as a general juridical standard established from existing praxis and recommendations. The need of such a standard should not be able to replace the requirement of a true and fair view, as that requirement should have its centre of gravity in the accounting of the specific case. An assumption can be made, that the accounting praxis's will be affected by the terminology true and fair view (Ibid).

3.9.2 True and fair view Swedish GAAP

In October 1997 did FAR (The Swedish Institute of Authorised Public Accountants) pronounced that its members would report that the annual accounts have been drawn up in accordance with the Annual Accounts Act and give a true and fair view of the company's profit or loss and the financial position (Burrowes and Nordström, 1999).

Prior October 1997 the expression true and fair view was not used in Swedish community law and in Swedish annual reports, or it had at least not a juridical meaning. The annual reports should rather be prepared in accordance with general accepted accounting principles (Thorell, 1994).

In 1998 Lagrådet (The Law Council), received a legislative comment from the Swedish Government. This stated that as accounting legislation entails that annual accounts are to be prepared on a true and fair basis it should not be essential to include a statement about compliance with the principle in the audit report. The result of this was that FAR reworked its original opinion about including true and fair view in the audit report, declaring that the report does not need to include the principle in the audit report. Consequently the Swedish Parliament endorsed the new Company Law (Burrowes and Nordström, 1999).

Normally it is predicted that the information given in accordance with general accepted accounting principles also gives a true and fair view. However, in some cases some additional information may be needed in order to reach a true and fair view. Exceptionally the requirement of a true and fair view can include some exceptions from general advice and recommendations. In these cases information of the departure and the reasons for this departure must be disclosed. On the other hand, it is not allowed to depart from legislations with the aim of reaching a true and fair view (FAR, 2003). The notes of the accounts should declare that the annual accounts give a true and fair view.

“The balance sheet, income statement, profit and loss accounts and notes shall be established as a whole and give a true and fair view of the company’s position and results. If it is necessary in order to give a true and fair view, additional information should be left. If there are some divergence from general advice and recommendations from the standard setting body, shall information about this and about the reasons for the divergence be left in a note” (Sveriges Rikes Lag, 2002 ÅRL chapter 2:3).

It cannot be excluded that the terminology general accepted accounting principles and true and fair view can, in rare cases, have a different meaning. It is important to mention that general accepted accounting principles is a Scandinavian standard while true and fair view on the other hand is a European standard. Furthermore, it is important to realise that the requirement of giving a true and fair view is a part of EC community law and because of that the EC court of Justice decides the meaning. As the concept true and fair view has been implemented in all the memberships with in the EU, can it be said to constitute the lowest common denominator for accounting within the EU (SOU, 1996).

Sweden is a Roman law country. The law draftsmen try not to include terminology that is vague, as there is a possibility that an interpretation is needed. Roman law looks at a law or regulation and looks for or creates an understanding of what it was meant to mean (Burrowes and Nordström, 1999).

3.9.3 True and fair view IAS

Paragraph 10 of IAS 1 requires that “the yearend accounts shall give a true and fair view of the company’s financial position, results and cash-flow”. Furthermore, the appropriate application of IAS, with additional information disclosed, results in practically all situations that gives a true and fair view of the yearend accounts. Inappropriate accounting treatments are not rectified, by disclosure of the accounting policies, by notes or by being illustrated with help of explaining material. Moreover, IAS 1 requires that in circumstances when it is necessary to depart from a demand in order to achieve a fair presentation, those requirements should be departed from and such a departure should be explain by the disclosure requirements. This is mandatory within IAS and not just an option (Directorate-General XV, 1998).

If the accounts are claiming to apply in accordance with IAS they must comply with all the requirements of each applicable Standard and Standing Interpretations Committee (SIC). Hence, in order to achieve a fair presentation one has to go beyond just complying with the rules. This is a clarification of the relationship between the compliance with IAS and fair presentation. If a company is forced, according to IAS, to depart from one of IAS standards in order to achieve a fair presentation, they can still claim that they apply in accordance with IAS, as this is a requirement within IAS to do so (Ibid).

This is evidence of that IAS applies in accordance with an Anglo Saxon view, which say that a fair presentation and a true and fair view is superior any other legislation (Thorell P, 1993).

4 EMPIRICAL FINDINGS

This chapter will give details about the outcome of the empirical findings. First a presentation of the interviewees will be given followed by Swedish GAAP versus IAS. Subsequently the true and fair view will be addressed. Additionally the timeframe will be discussed. Finally, the chapter will be concluded with a discussion about the differences between IAS/IFRS and Swedish GAAP.

4.1 Interviewees

Johan Rippe, PricewaterhouseCoopers

Is a certified accountant and works within ABAS in Gothenburg. He is an IAS/IFRS specialist within PwC, Gothenburg, Sweden.

Magnus Nilsson, KPMG

He is an IAS/IFRS specialist within KPMG, Gothenburg, Sweden.

Lennart Axelman, Ernst & Young

He is an IAS/IFRS specialist within Ernst & Young Sweden and has previously worked as chief director at Redovisningsrådet.

Fredrik Walméus, Deloitte

He is an IAS/IFRS specialist within Deloitte, Stockholm, Sweden.

4.2 Swedish GAAP versus IAS

4.2.1 Differences

Financial Instrument, IAS 39, was mentioned at the four interviews as one of the major differences between the two systems. Many of these instruments are within Swedish GAAP off balance, they are not accounted for in the balance sheet. The instruments that are accounted are estimated according to lower of cost or net realizable value and not to real value. Within IAS however, will most of these instruments be estimated to real value.

Pensions were also mentioned as one of the major differences. This standard will be implemented in Sweden already 1st January 2004. The pension debt will be enlarged for most companies.

According to Mr. Axelman are the systems rather similar and the differences can be seen within fields that still not is legislative in Sweden. There are also dissimilarities of how assets and liabilities are estimated, according to real value or acquisition price. Companies will have a greater possibility with IAS to choose how to value their entries.

Both Mr. Walmeus and Mr. Axelman where of the opinion, that the greatest difference is that real value could be used when estimating assets and liabilities.

Moreover, Mr. Walmeus also said that when it comes to agricultures is it allowed to use real value when estimating the forest. IASB is working on projects that in time could mean even greater differences although these are not yet established.

The interviewees did not completely agree with each other when it came to what affects the differences between the systems will have at the result. All interviewees said that financial instruments will have an affect on the results. How serious the affect will be depends on the fluctuation of the financial instruments ant the actual value of these instruments.

Mr. Rippe said that accounting actually is a periodic review of the company's cash-flow (and) hence the differences will not affect the result in the long run. However, the result will become more volatile. When converting to IAS the pension liabilities will be taken through the balance sheet, which will augment the total pension costs. This will be a one-off effect, only happening at the time for the conversion and taken through shareholder's equity. It is difficult to predict which shape the pension liability will take in the future but it will probably be more or less the same as today. Financial instrument on the other hand will differ, as the actual value will change and that will have an affect upon the result. By being able to use accounting in accordance with the safety regulations companies will be able to control the volatility to a greater extent. This gives the companies a possibility to avoid unwanted volatility. The tangible answer of the question was that the results probably will become more volatile when using IAS compared to Swedish GAAP.

Financial instruments will probably have the strongest affect according to Mr. Nilsson. The affects will most likely influence the profit and loss accounts the most.

Mr. Axelman, on the contrary said, that it is difficult to say whether the differences are moving towards one direction or the other. The differences in the valuation principles will have an affect as well as the accrued of the profit or loss will change and there will be "one" difference over time.

Mr. Walmeus said that the result would be affected if new objects is being valued which have not been included in the accounts previously. There will be a positive affect on shareholder's equity, when this object is being applied and accounted for at the first time. It is subsequently difficult to say whether there will be a positive or negative affect on the result. The affect will certainly be positive if the objects are being estimated to real value when the market is positive.

4.2.2 Rating

There does not exist a homogeneous answer of how the change to IAS would affect the companies rating.

Mr. Rippe's opinion is that the rating will not change due to the conversion. As Mr. Rippe sees it, has the rating institutions good knowledge, are well informed and can disregard the affect, consequently there is no impact or should not be an impact on the rating of the companies. This could be seen in the US, with the changeover to FAS 133, the financial standard in the USA. It was said that as long as the companies used a well prepared risk management the people at the rating institution tried to overlook the affect of the change to FAS 133. Contrary that, the changeover to IAS would contribute to a more true rating due to that IAS will augment a transparency of the financial statements, and more information of the company will be given, which would enhance the value of the financial statement for the readers and analysts. Mr. Rippe also said that a more true rating also would contribute to a stronger rating. Moreover, there would probably be a negative impact on the rating if an uncertainty about the company's performance existed among the readers and analysts. If this uncertainty could be eliminated the consequences would probably be a greater rating.

Mr. Nilsson said that it is too soon to determine the total effect on the rating, but the ratios will probably change. The value of the profit and loss account will changes in value. There will be some changes in value in the profit and loss account but at the same time will the balance sheet also change. Most certainly this will result in the balance sheet changing as well, most certainly will this have a vital impact upon the ratio.

The rating will, according to, Mr. Axelman and Mr. Walmeus probably change with the move towards IAS. There will be a greater uniformity within the EU due to the changeover as well as the set of rules will be more detailed hence will it be easier to interpret, read and understand the accounts and this should have an affect on the ratio.

4.2.3 Suitability of IAS

Mr. Rippe said that IAS is a good framework and suitable for the concerned Swedish companies. IAS 39, Financial Instruments is rather complicated and is somewhat difficult when it comes to risk management. Although this is a relatively uncomplicated framework for small and medium size enterprises (SME's). There is a different matter when it comes to large companies, banks and insurance companies as these kinds of businesses are very complicated. Hence there will be a problem when it comes to accounting in accordance with the safety regulations and the result will become more volatile. In this sense it can be said that IAS is a rather poor framework. Nonetheless, there will be a high reading value for the readers even though it is essential that the readers have great knowledge of the system in order to understand it as it is a rather complex system. One should be aware of that there is a higher risk for errors arising with a more complex system. A complex system will aggravate the work of the financial statement for the companies but also aggravate the auditing for the accountants, hence the risk for errors increases.

Mr. Nilsson on the other hand said that due to IAS being an extensive set of standards some problems will arise at the transitional period as well as there are a lot to learn in the

beginning. The conversion will be costly and time consuming, although this will be a one time cost and will most likely be worth it as it will result in complete framework instead of many different frameworks.

The EU's goal of implementing IAS is to achieve an integrated framework, according to Mr. Axelman. As IAS is an international framework, it is intended to be suitable all around the world. If other countries find IAS appropriate, it should also be suitable for Sweden. Although, is it difficult to say which system that would be most appropriate for the Swedish companies.

Mr. Walmeus agrees with Mr. Axelman in the case of IAS being suitable for companies in other countries and therefore also suitable for Swedish companies. Moreover, Mr. Walmeus said that there would be large affects on banks due to the accounting of financial instrument.

The interviewees was of the opinion that the aim of implementing IAS within the EU is to achieve a more attractive capital market, hence IAS will be beneficial for both investors and the companies rather than for the standard setters. The hypotheses are that a greater movement of capital will exist and the investors will be able to compare different companies to a greater extent, hence the European and the American capital market will become a counterpoises.

4.2.4 Difficulties

It was mentioned during the interviews that the greatest problems of the implementation are IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement, due to that these two standards still not have been accepted by the EU. These standards are totally new for Swedish companies as well as they are very intricate. Most of IASB's standards are principle based, the focus is on the economical meaning of the transactions. IAS 39 however, is the opposite, this standard consists of details hence it is a very difficult standard and causes problems for many companies.

Mr. Rippe added that it is indistinct what set of rules that actually are valid due to that IAS still is changing and that existing standards is under amendments.

Additionally, Mr. Axelman said that the time aspect also have been a problem. The time limit has been to short due to that the problems of IAS pension and IAS 39 have been underestimated.

According to Mr. Walmeus has IAS 41 been problematic for agricultures. There is a large difference compared to what the Swedish companies are used to. The fact that IAS is time-consuming and the recommendations are difficult to interpret causes it being necessary, in some cases, to take help from experts and this will cause problems when converting to IAS. Companies will become more dependent on experts.

According to all of the interviewees the preparations for the changeover towards IAS differ among the different companies. Some companies are more prepared than others. Today most companies are conscious of what is happening and also have commenced the process to implement these new standards. However, this has most often been an initiative taken by the auditors and not by the companies themselves. This process is not a big concern for all companies, as all companies are not international corporations. These instruments may not be needed or their pensions might not be affected by the new set of rules as it is a rather small practice, larger companies on the other hand will have a large extent of work to do as the changeover will have a greater affect on such a company.

4.2.5 Knowledge

It was mentioned at all the interviews that the best way to augment the knowledge is to attend as many of the courses offered in the field as possible. The interviewees also considered it to be an advantage for the companies to have internal educations in order to reach a greater knowledge of IAS. The analyse-model causes these internal educations to be of greater importance as the auditors have to have its independence. The auditing firms also offer both internal and external educations and it is necessary to attend these courses in order to be able to work with, as well as, audit firms that are applying IAS. Additionally, it is important to be up to date concerning what is going on in the field of IAS, as a lot is happening at the moment, in order to facilitate the implementation process.

4.2.6 Accounting profession

At three of the interviews it was pointed out, Mr. Axelman excluded as he did not have an opinion in the matter, that the difficulty in the conversion will not increase due to the analyse-model. Moreover, it was also stated that it was of importance that the auditors did not take part or participated in any of the decision in the conversion process. This is due to that it is of significance that the companies have the knowledge of how the accounts should be prepared. The companies make all the decisions, do all the calculations and all the documentations, the role of the auditors is to give advice and directions on what is stated in the framework. The auditor's role would be the same if there would be a new Swedish recommendation coming into force.

Mr. Rippe added, that it is different for the companies, which they do not auditor. In these cases they could be a part of the project rather than just giving advice and directions.

Mr. Nilsson said that it would be an advantage if the accountant could elect the project leader. The project leader could then get the proper support that is needed on how a project is being run as it is important to achieve a good structure of the project group. By doing this the accountant can make sure that the decisions are being made on a proper foundation. However, it is of high importance, as previously mentioned, that the auditor does not participate in the decision-making.

According to Mr. Walmeus does some companies goes to other advisers than their auditor to get help with the implementation of IAS due to that their auditor has to follow the analyse-model. The help the company can get is the knowledge that the auditor, the team and other advisors, possess due to that they have been in the business for a long time. This knowledge is very valuable and could be effective for the company, but it is important that the auditors are independent and not involved in the decision-making. It is impossible for the auditor to help companies with any work concerning valuations, hence the implementation of IAS could become more costly as the companies need to turn to other auditing firms to get help of this kind.

The interviewees mentioned different problems that could arise. According to Mr. Rippe the problem is that the companies demand more from the auditors than they are permitted to give. As an example a company could call and wanting an accountant to work on a consultant basis until the new system is introduced. Jobs of this kind could not be accepted by auditing firms. It would also be a very short-term solution for the companies, as they would need to learn to work with the new system in order to be able to publish quarterly reports. Companies could make inquires which accountants are not allowed to take on and this makes it very important to know where to draw the line.

Mr. Nilsson on the contrary said, that the big problem is that the rules could be interpreted differently. The interpretation depends on the individuals' earlier experiences, culture, and knowledge and so on. However, this is nothing new. Moreover, there will be supervision when the changeover to IAS is taken place and this supervision will be more stringent than ever before.

According to Mr. Rippe it could be said that the role of the auditors will stay the same as it is today, due to that their role is to examine the accounts, which the accountants already do in accordance to Swedish auditing standards, which rests upon international standards on auditing (ISA). However, Swedish GAAP, gradually changing but this will not causes the auditor's role to change. The companies however will have to follow the same set of rules. A system or recommendation could not be adjusted from just because it is considered it to give a more true and fair view. Companies listed on Stockholm's stock exchange have to follow the stock exchange treaty and no deviations are allowed. This has become more controlled as the stock exchange has introduced a board to supervise this. The role of the accountant could change in a way where no deviations are accepted any deviations this might have been allowed previously. It is not possible, of today's date, to have a Swedish version of IAS, hence the demand on the auditors will risen. Consequently it will be of greater importance for the accountants to know the firms policy, they need to know how a college in for instance Germany would solve the same situation. Hence, a lot of networks are created and many meetings are held concerning the firms standpoint in different questions. If a company have a query it could take up to two weeks before they get an answer that is in accordance with the firms' policy. It could be said that the auditing profession is going about a culture innovation, as

the accounting regulation has become very complex the auditors have specialized themselves within certain areas of the regulation. This raises the demand on the auditor.

Mr. Nilsson thinks that there is a stronger pressure on the specialization of the auditing firms. As it is today, the auditing firms is either focusing on SME's or on multinational companies. Auditors are not only needed because of their auditing competence but also due to all the rules that needs to be put into practice. There is a possibility that the EU and IAS is moving towards the framework in US, US GAAP, which makes the need of such specialization to increase. It is the individual auditor that will sign the audit report, this increases the demand on special competence compared to earlier. It is important that the auditors improve their technical knowledge in order to mange the framework and to be able to utilize the specialists efficiently. Mr. Nilsson's assumption is that the role of accountants will become more specialized.

Mr. Walmeus are of the same opinion as Mr. Rippe that the role of auditors will not change considerably. Additionally, Mr. Walmeus think that auditors will become more specialized within a certain field, as it will be very hard to be up to date, in all areas, due to that the amount of information is so large. Moreover, Mr. Walmeus also said that it will become more common to have an supervisor that controls pensions and if goodwill is correctively valued.

4.3 True and fair view

The interviewees are of the opinion if the framework is followed without any deviations a true and fair view is achieved no matter what system being used. The concept true and fair view is very diffuse, due to that the best way to describe it is that it is fulfilled if the accounting rules are followed.

Mr. Rippe considers true and fair view to be very subjective, that the interpretation of true and fair view is very individual. Nevertheless, a presumption is the foundation of IAS's that a true and fair view is achieved if IAS is being applied. Furthermore, supposedly there will be a greater focus on the balance sheet and the company's position at a specific date rather than looking at result of the period. The conversion to IAS gives the possibility is that the true and fair view having a greater focus on the company's assets, obligation and liabilities, hence larger focus on the balance sheet.

The view of true and fair view is not considerable different between the two systems according to Mr. Nilsson, due to a true and fair view is achieve within both system as long as the system is being used without any deviations.

Mr. Axelman questioned the concept true and fair view, but he assumes it is the view that appears if one has a figurative speech, the view that emerges within the different frameworks. As the framework differs the true and fair view will also differ between the two systems. There is a possibility of the true and fair view differing within IAS as the interpretation of IAS among the EU member states might vary. This interpretation will

most certainly be effected of the previous set of rules that has been used within each member state. Nonetheless, it is not possible for the member states to inaugurate their own true and fair view, the true and fair view will only differ within those areas where the set of rules are dissimilar. Mr. Axelman came up with the conclusion that the Swedish true and fair view is different compared to the true and fair view within IAS as the systems are built on dissimilar rules.

As was mentioned above, Mr. Rippe thinks that the focus will be turned to the balance sheet, concerning both the company's legal and informal obligations at the closing day. The other three interviewees were of another opinion. According to them the differences could be seen in those areas where the Swedish recommendations are divergent from IAS as well as within those areas at which Swedish accounting do not have a recommendation. Furthermore, the most salient diversity can be seen in recommendations at which IAS uses real value whereas Swedish GAAP does not.

According to Mr. Rippe will the comprehensive objective will become to achieve a true balance sheet. The result will develop into a residual and become more volatile as the focus will be directed towards the balance sheet. This is due to a real value being used more frequently for the entries in the balance sheet. The problem with real value is that it is based on ones judgement.

Mr. Nilsson, contrary said that the affects on the profit and loss account, balance sheet and cash flow would depend on what kind of business it is. However, it could be said that the accounting will become more complex and a consequence of this is the annual report becoming more like a book of reference of the company's performance.

The result, according to Mr. Axelman, will show in what way assets and liabilities are being estimated and how these assets and liabilities are included in the profit and loss account and balance sheet. A true and fair view of the business performance should be given by the result and balance, but a true and fair view will also be influenced by additional information in the annual reports besides the notes of the financial statements. This additional information will be more common but it will also be more palpable in those areas where there is no equivalent recommendation of IAS standards within Swedish GAAP. Along with the conversion to IAS the scope for judgements and estimations increases and consequently the need for comprehensive information enhance.

If something has been underrated the real value, will it have a positive effect on the shareholder's equity at the first time it is brought up to market value. It will have the opposite effect if an overrating is being made.

The interviewees all meant that the result will become more volatile when the true and fair view transforms, due to that it will become more common to use real value or market value when applying with IAS.

4.4 Timeframe

All the interviewees consider the time limit of implementing IAS by 2005 to be a realistic goal. Additionally, they all agreed upon that some difficulties will appear due to that all standards are not yet finished. However, it would not be any better if the time limit was set to be 2006 or 2007 as this would not bring the companies to commence the process earlier, although by that time fewer standards might be under preparations.

Furthermore, both Mr. Rippe and Mr. Nilsson said that many of the new standards have already been introduced by the Redovisningsrådet and the work of the implementation for the Swedish companies has been facilitated. Nevertheless, there will be some problems that the companies have to settle.

According to the interviewees, it is still too early to draw the conclusion if the concerned parties have been given sufficient time to keep up with the development of the legislation and paperwork.

Lawyers have written much of the legislation and paperwork when they are writing about areas that are very complex references are made to the IASB's legislation. Hence it could be said that the legislation have been written in hast, according to Mr. Rippe.

There existed a disagreement among the interviewees, whether the rapidly development has caused any complication or not. According to Mr. Rippe have the rapidly development have caused problems as the new legislation is not especially well written.

Mr. Nilsson agrees that the rapidly development have had an impact as the requirements are unknown. However, a different solution would not have been any better.

Mr. Axelman said that there is a possibility that some complications could have been avoided if the development would have happened gradually, but then other complications would appear instead.

According to Mr. Walmeus the implementation of IAS is very time-consuming if more time was given for this changeover this might have been avoided or at least reduced. However, the concerned parties might not have begun their preparation earlier anyway, hence it is difficult to say whether this could have been avoided or not.

The knowledge is sufficient in order for the implementation to be carried out in a satisfying way according to all the interviewees. Sweden is rather prepared for this change as most of the standards already exist in Sweden, but there are some large areas such as financial instruments and pensions which are new for Swedish companies. The conclusion drawn by the interviewees is that it is better to implement IAS by 2005 than to wait, as the companies would, most certainly, not become more prepared any way. It is better to achieve 80-90-percentage accuracy by 2005 than to wait and get it 100 percent right by 2006 or 2007.

5 Analysis

The analysis will discuss the empirical findings based on the literature. This chapter embarks on the Swedish GAAP versus IAS. After this the accounting profession will be discussed. Additionally the true and fair view will be considered. The issues about the timeframe will conclude the chapter.

1 January 2005 a new accounting system, IAS, will come into use for all companies on the European stock exchanges, banks and insurance companies within the EU. It could actually be said that IAS need to be implemented already by 1 January 2004, as IAS requires one-year comparative financial statements.

5.1 Swedish GAAP versus IAS

5.1.1 Differences

The interviewees and the literature are in accordance with each other as it is stated that there will be a great change for Swedish companies, in certain areas, when they will start using IAS. One of the major differences is that, real value will be used more often than historical value (Appendix 3).

Furthermore, the empirical study and the literature review also correspond with each other when it comes to that in some areas of accounting there are differences between the two accounting systems. Those areas, which will require most work and effort, are those areas of which a recommendation is missing within Swedish GAAP.

The interviewees were of the opinion that the greatest difference between Swedish GAAP and IAS is IAS 39, Financial Instruments. Swedish GAAP does not have an existing recommendation that is equivalent to IAS 39. Furthermore, the financial instruments, which are reported in Swedish GAAP, are accounted for in accordance with lower of cost or net realizable value. IAS on the other hand will in most cases estimate the financial instruments to real value. This is in accordance with the literature, which says as mentioned above, that real value will be commonly used in IAS. Another major difference that the interviewees mentioned was pensions. Furthermore, according to the interviewees there are several differences to consider when accounting for pensions.

One difference covered in the literature review, but not mentioned by any of the interviewees, is that the aim of the accounting legislation in Sweden and IAS is to satisfy different parties' need of information. This makes that the both accounting systems have a different starting point.

If a comparison are made between the literature review and the interviewees it can be understand that the differences between Swedish GAAP and IAS is not as great now, 2003, as they where a couple of years ago. This is because Redovisningsrådet have taken on recommendations that are similar to the recommendations existing in IAS.

Consequently have the Swedish companies already been adjusted to IAS to a great extent, even though some recommendations still differs between the systems.

5.2 Rating

The interviewees' view of what is going to happen with the rating of the companies differs. This is probably because of that it is hard to see what is going to happen to the companies when the new and more detailed rules are adopted. Consequently, it is hard for the interviewees to make a prediction. Two of the interviewees were of the opinion that the new accounting system probably will lead to a greater transparency, easier reading and understanding of the accounts. Another of the interviewees had the opinion that the rating institutions have a great knowledge and is well informed of how to handle the effects of the implementation. It was also mentioned that a true rating would also contribute to a stronger rating. Moreover, the widely different opinions are testifying that no one really knows what will happen with the rating in the future.

5.3 Suitability of IAS

According to the literature review a country's accounting is greatly influenced by the existing culture in the country. Furthermore, if a drastic economical or political change would take place it would affect the financial reports of the companies in the country. Sweden has during several years, with help of the Redovisningsrådets recommendations, become closer to the accounting system, which will be adopted. Swedish accounting has been moving away from the Continental European model towards the Anglo-Saxon model. The view of accounting has become greater in Sweden, due to that several Swedish companies are being listed on stock exchanges in other countries. Companies, which are listed on one of the US stock exchanges, are forced to prepare their accounts in accordance with the Anglo-Saxon model, US GAAP, as no other accounting systems are allowed. This has caused the accounting of those companies to change more and more.

One of the interviewees were of the opinion that now when the implementation of IAS is a fact, the stock exchanges within Europe requires all listed companies on their stock exchange to report in accordance with IAS. If this implementation were not mandatory the stock exchanges would probably have demanded an appliance of IAS anyhow. Due to that they want to have the same quality as the remaining Europe and the world. Furthermore, it is an advantage for the listed companies to apply in accordance with one single accounting system as it attracts investors outside of the country's borders as it enables the investors to understand the accounts to a greater extent.

All the interviewees saw the advantages of the new accounting framework, as it will be a common accounting system for the EU and if this new system is followed it does not matter where the company is located. Some of the recommendations will cause problems in the beginning, before the companies have gotten used to the system, hence when the companies have passed this phase it will probably run as smoothly as any other system. The interviewees also were of the opinion that if this framework suite the companies in

other parts of Europe it would suite Swedish companies as well as. SME's will probably not be greatly affected by the implementation, it is rather greater global companies, banks and insurance companies that will have to put in both time and money into this implementation. As Swedish GAAP has been moving towards IAS for quite some time now, this is reducing the problems when the implementation now has to take place in total. The literature was of a slightly different opinion. As mentioned earlier in this chapter IAS and Swedish GAAP has a different starting point. The literature therefore argue that the differences arising as a consequence of this have to be taken into consideration when judging if IAS is a suitable legislation for listed companies.

5.4 Difficulties

Mr. Rippe, thought it was a problem that IAS is revising their standards at the same time as the implementation is taking place as the companies will implement one standard, which they might having to change it later. In addition to this some of IAS standards are not completed and ready for adoption by the deadline of 2005.

It have previously been mentioned that the interviewees where of the opinion that some companies will have some problems with the implementation of IAS 29 and IAS 39. Furthermore, one of the interviewees also mentioned that there is a new existing recommendation for companies dealing with Agriculture, IAS 41. This recommendation deals with how the forestry and mark is report in the accounts. Additionally, the interviewee said that this recommendation is very different from the recommendation used in Swedish GAAP. This might cause some problems for companies that are used to not being allowed to report the changes of the value of the forestry or mark until it have been sold or felled. As a result will the companies be able to report a profit during the time the forest or mark is growing. In most cases the companies will be forced to getting help from experts in order to get this done in time.

Another difficulty is the timeframe, which will be discussed further, later on in this chapter.

5.5 Knowledge

In order for the auditors, in the accounting firms, to get a greater knowledge and enable the companies to get a greater awareness of what is going to happen several courses have been set up. At some of these courses, held by the four biggest accounting firms, are the companies invited to attend as well. These courses are held in order to increase the knowledge of IAS for all parties. As there will be a great difference for some companies it is important that they start the implementation in time. Some companies have set up a work group that will work with the implementation of IAS. This is done in order for the implementation to be as easy as possible. Several companies find the time limit to be too short, although it can be seen to be an advantage that the recommendations in Swedish GAAP are already adjusted to IAS.

5.6 Auditing profession

According to the literature is the law for auditors very new, it came into use as late as 2002. It can be hard for the auditing firms to help the companies with the implementation of IAS now when the analyse-model have come into use. Although, the interviewees were not of this opinion, they meant that it is the companies that do the documentation, estimations and take the final decisions. The auditors' role in the implementation is to give advice of how the new framework should be used and how it treats different problems. Furthermore, the interviewees' opinion is that this new law does not have an affect on the implementation of IAS as it came into force before the implementation of IAS started. This new law would work in the same way if a new Swedish recommendation were to be implemented, as it will now when IAS is being implemented.

Both the interviewees and the literature are of the opinion that auditors are heavily controlled. The control and supervision will probably be more stringent than it have been before, due to that IAS standards will be interpreted differently. If they are, there is no meaning to have a common accounting system, as it would not be transparent or comparable across the region.

The literature states that a countries culture is heavily influencing a country's accounting practices and these practices could be changed by drastic political or economical changes. The empirical study is implying this although it is expressed differently. Mr. Rippe states that the auditing profession is going about a culture innovation. It is also stated that the auditing regulation is becoming more complex and the auditors need to specialise themselves within certain areas of the regulation.

The role of the auditing profession in Sweden will not change considerably as Sweden have already moved along with the international changes in this area, the literature and the empirical study is in accordance in this matter.

The empirical study states that the way the auditors are doing their job when it comes to implementing IAS, are in accordance with the criteria which are given in the analyse-model, in the literature review. The interviewees state that it is very important that it is done in this way. However, some problems may arise, as companies' demands more from the auditor than is permitted for the auditor to give.

If the auditor should help the company in certain parts of the implementation the independency of the auditor will have to be tried first. If that is not the case the auditor will have to inform the company of that he/she is not able to help them and they will have to turn to an IAS-consultant or another auditing firm instead. This can in some cases make the accounts to be prepared in a poor way as it is a new person that will have to get into the firms financial position in order to be able to help them with the problem areas. This is comparably with the possibility for the company's own auditors to help with the implementation of IAS. Several companies have been using the same auditing firm for decades and this lead to the auditing firm having a great knowledge of the company. If the auditors, who normally work with the company's accounts, were able to help with the

implementation of IAS, the company's true position would probably be expressed in a better way. Furthermore, there will be a greater cost for the company when they have to use consultants than it would have been if they could just use their normal auditors.

5.7 True and fair view

The empirical study and the literature correspond when it comes to the concept of true and fair view. It is expressed that this concept is very broad and general. The interviewees are of the opinion that if the framework is followed without any deviations a true and fair view is achieved no matter which system being used.

The interviewees and the literature also agree upon that true and fair view is subjective and individual. Furthermore, the literature is clearly expressing that true and fair view and accounting is constantly developing to meet the needs and expectations of the shifting social and economic environment. The literature also states, what seems to be a true and fair view is in the end a question of ethics or morality.

The view that the interviewees have on true and fair view can be connected with what the literature say about accounting theory. There does not exist one single accounting theory which suite all situations. Furthermore, the interpretational theory agrees with the interviewees' opinion of which accounting system that gives the most true and fair view is up to each individual.

The interviewees where of the opinion that the concept true and fair view is very diffuse and they thought the best way to describe this concept is that it is fulfilled if the accounting rules are followed. The literature had a slightly different opinion in this matter as it states that the rules and recommendations should be divergence from if it is required in order to get a true and fair view. However, all these divergences should be given information about in the notes. When the true and fair view is described in the literature review it can be seen that the true and fair view for the different accounting systems differ. Mr. Axelman is also of this opinion; he states that the true and fair view of the accounting system differs because of the systems are built on dissimilar rules. The interviewees' thinks that the greatest differences of the true and fair view will be in those areas of which the Swedish recommendation is different from the one in IAS or there is no recommendation in Swedish GAAP.

5.8 Timeframe

The interviewees are of the opinion that the timeframe is not the greatest problem of the adoption of IAS. They argue that it cannot be said that the timeframe have been to short as EU have been discussing a common accounting system since 1996. The problem lies in that all recommendations within IAS are not complete yet. The improvements which are done at this stage causes confusion as the concerned parties do not know how to handle this and the recommendation need to come into use now, already at 2004, in order to have an opening balance for 2005.

Furthermore, the interviewees think that the timeframe of adopting IAS by 2005 is realistic. Even though it have been known for quite some time that this changeover to IAS will take place, there are several companies which have not started with the implementation early enough in order to get it done in time. The interviewees also mentioned that even if the time limit would have been set at a later date there are always those parties, which are prepared and those who are not. In most cases when the companies have started to work with the implementation of IAS it is the auditors which have told them that they have to start with the implementation now in order to get it done in time. Although, as mentioned earlier, it is a problem that the recommendations, which are reported from 2004 in order to have an opening balance, have not been legislated yet and there might be some further changes in the recommendations by 2005.

6 Final Discussion

Having the problem formulation and the aims in mind the discussion will be based on the literature review and the empirical findings. The chapter is first addressing the differences between Swedish GAAP and IAS. Second the chapter will discuss the effects on the rating followed by the suitability of IAS. Furthermore the knowledge of the concerned parties will be addressed as well as the connection to the auditing profession will be looked at. Moreover, the accounting theory and the relation to true and fair view will be addressed before the chapter is concluded with a discussion on the timeframe.

The problem that was stated in the beginning of the study is that the true and fair view could be neglected and the companies consequently would present a spurious result. Hence, the readers of the company's statement would be deluded. This would create problems even though it was not done deliberately.

6.1 Differences

The fact is that there will be some differences when Sweden is changing over to IAS, this is natural and quite obvious if there would not be any differences there would not have been a change of system. In many areas Swedish companies do not notice a great difference when they now are going over to IAS, this is because this is a process, which has been developing gradually. The Redovisningsrådet have adjusted the recommendations in Swedish GAAP so that it is more similar to IAS, the benefits of this is that the changeover will not be as complicated within those areas.

Moreover, those areas which have great differences between the two accounting system is where the companies will have the greatest difficulties with the implementation. This in turn will lead to the true and fair view changing to a greater extent than in those areas where the accounting systems are similar. In the beginning there will probably be some variation of how these areas are accounted for and reported. There will almost certainly be national differences and differences from company to company. The conclusion can then be drawn that these are the areas within IAS that will show the least true and fair view. However, it will hopefully be adjusted over time so it will hold the same standards as the other recommendations within IAS.

6.2 Rating

If it is possible to achieve a more true and fair view of the companies' financial position when using IAS, it will probably affect the rating of the companies in that way that a more true rating will be achieved. The companies will not have a higher or lower rating than it deserves. Hence, this is based on the assumption of IAS giving a more true and fair view. Moreover, the unanimous opinion will probably not find IAS to be that accounting system which gives the most true and fair view. Even if the majority finds IAS to be the accounting system, which gives the most true and fair view, those who are of a different opinion, will probably make their voices heard and this will affect the rating of the companies.

6.3 Suitability of IAS

When talking about the suitability of IAS the concern is how this system will be suited for the companies within the different countries. Another concern is if IAS is suitable for investors as well. IAS is said to be investor based and it is created to satisfy the need of the investors. The question is if it does? It can be argued that it does, but it can also be argued that it does not. The argumentation for IAS to be suitable for investors is that it requires the companies to supply additional information, which they have not been required to supply before, not in Sweden anyway. Consequently, the investors will be able to make a more informed investment. Furthermore, as it has become a requirement to use IAS in all the companies on the European stock exchanges it makes the accounts to become more transparent and it will be easier for the investors to compare different companies with each other, this comparison can take place among companies in different countries. However, maybe it would have been possible to achieve this transparency and comparability with another accounting system as well. One argument for IAS not being suitable for investors is that it is a very complex accounting system so it might be hard for all investors to take part of the annual reports as it is hard to get an understanding of them if the investor does not have a great knowledge of accounting. However, when and if this understanding is reached by the investors, IAS will probably be a suitable accounting system. The reason for this being that only one single set of accounts need to be prepared in order to be listed on several different stock exchanges across the world (USA and Canada excluded).

6.4 Difficulties

IAS is a complex system and some difficulties will exist. The fact that the framework of IAS is not completed yet, and therefore still changing, makes it even more difficult to do the implementation in a correct way. Rules and recommendations are changing no matter what accounting system is being used. However, when companies will change the accounting from an old system to a new system it is an advantage to know how the new system should be used in order to achieve accuracy from the beginning. Consequently, companies might have to learn and apply one recommendation, which they might be forced to change later. The concerned parties might find this quite irritating, as money, time and other resources are put into this project in order to get an opening balance, which might show to be wrong in the end anyway.

6.5 Knowledge

There is a great knowledge gap among people concerning their knowledge of IAS. The implementation of IAS will probably become more difficult as well as this knowledge gap most certainly will prevent all the benefits to be achieved. The implementation also requires people within the companies to learn how to report in accordance with IAS. To reach the full benefit of having a common accounting system the investors and users of the accounts also need to have a great knowledge of IAS and have a great understanding of what all the figures say. It will probably take some time before a full understanding is reached and before all benefits of a common accounting

standard can be reached. This conclusion is based on the existing knowledge of IAS at the moment. It is not all that great and if we only look back for a short period of time there existed even less knowledge within this areas. However, the knowledge of IAS of those parties having to apply it is getting greater day by day. Before EU took the decision to implement IAS within the EU it was only about 300 companies applying IAS and now there is about 7000 companies, which are in the process of adopting this new accounting systems. When the implementation is completed the next step is to get the users of the account to understand this accounting system as well.

6.6 Auditing profession

When IAS is fully implemented in the member states the role of the auditing profession will probably be to supervise the companies applying IAS so that the new accounting system is applied in a correct way. Each country will set up an organisation, which will supervise the companies, and make sure IAS is fully followed. It is important that all the member states of the EU are applying IAS in the same way in order to get the transparency and comparability in the accounts which EU have been striving after for a long time.

6.7 Accounting Theory and True and fair view

The conclusion can be drawn that the accounting culture and history have and have had a great impact on true and fair view. How the true and fair view within the EU has changed is evidence on this. The accounting policy within the EU clearly changed when United Kingdom became a member of the EC. Prior this, the accounting within the EU where more influenced by the German accounting system. The true and fair view of the Swedish accounting have changed quite a bit, but it has not been very noticeable as it has been a process which have been carried out gradually.

Furthermore, the interviewees in this study where of the opinion that if the framework is followed without any deviations a true and fair view is achieved no matter which system is being used. This is in accordance with the Continental European Model, as Sweden has its origin from this model the interviewees have probably been influenced by this and are therefore basing their opinion upon those grounds.

It can be argued that the meaning of true and fair view is based on individual reflections and that it all depends on whom you are asking. Furthermore, the consideration of what accounting system that gives the most true and fair view is affected by what accounting theory, which being used and whom the accounts are being prepared for. Doing a statement of which accounting system having the most true and fair view is quite difficult and it is coloured by the opinions of the interpreter. The difference in the true and fair view between Swedish GAAP and IAS arises in those areas where the accounting differs from each other or in those areas where Swedish GAAP do not have an existing standard.

The argument of what true and fair view is and that it is an individual reflection, is in accordance with the interpretational theory. Maybe one can say that an accounting system, which is set up in order to satisfy the investors, has the most true and fair view in the eyes of the investors. Accounting systems that is set up to satisfy the governments and owners have the most true and fair view according to them. Furthermore, as mentioned earlier, the aim of the accounting legislation in Swedish GAAP and IAS is to satisfy the users of the accounts, which is in accordance with this theory.

The question of whom the accounts are prepared for can then be raised. It can be argued that the accounts, which are prepared in accordance with IAS, are prepared for the investors. Investors require a lot of financial information in order for them to make correct decisions concerning their investments. Hence, it is important that companies do not hide important information, it is important to “get everything out in the open”. It is very clear that the Anglo-Saxon model has heavily influenced IAS. Clear evidence on this is that the whole accounting system is investor based. Furthermore, showing a true and fair view is very important in IAS and this has also its origin in Anglo-Saxon accounting. The accounts in Swedish GAAP are more prepared for the government and the owners. As the account is prepared for another party it is obvious that different information is required. The government does not require as much information as investors do and the owners already have a clear view of the company’s position so they do not require this information to be expressed in the accounts. Furthermore, Swedish GAAP does not have a history of applying their accounts in accordance with true and fair view. It has rather been a history of applying their accounts in accordance with General Accepted Accounting Principles. Hence, the conclusion that has been drawn is that Swedish GAAP does not require as much additional information as IAS.

From the literature review it can be seen that IAS and Swedish GAAP have a different view on true and fair view and especially a different history when it comes to showing a true and fair view in the accounts. The history of showing a true and fair view goes further back in IAS than it does in Swedish GAAP. This raises the question of where Sweden has been adopting its true and fair view from. One argument is that Sweden adopted their view from the EU due to that their view on the subject is incorporated in the EC community law, which Sweden had to adjust to when they became a member of the EU.

The EU on the other hand have probably been influenced from British accounting and the Anglo-Saxon model as the EC adopted the concept of true and fair view when United Kingdom became a member of the EC. This harmonisation and internationalisation is probably influencing the origin of countries accounting systems. This is probably the reason for the Continental European model moving towards the Anglo-Saxon model.

However, one can argue that IAS gives a more true and fair view as it will give the same true and fair view across Europe and possibly, eventually, across the world as this is a system which is developed to be suited on an international level. Furthermore, it will

also show the same true and fair view for a greater extent of people. This might not be the case in the implementation phase, as most concerned parties will most certainly have some implications, some more than others. When the concerned parties just start out with applying IAS it might not be hundred percent correct from the beginning which will result in the accounts not being transparent. Moreover, the fact that Swedish GAAP has been moving towards IAS for several years, is considered to imply that IAS is a better accounting system. One would guess that a country would not want to move away from the original accounting system to another if it is not better than the previously used.

Each country, within the EU, adopting IAS might interpret the meaning of the IAS standard differently. Additionally, these interpretations might be coloured by the accounting system previously used in that country. Furthermore, there exist a knowledge gap at the moment, there are not many people that understand IAS and how it is applied.

Although, according to the literature general advice and recommendation should be divergent from in order to reach a true and fair view. The question is if companies move away from the standards in order to reach a true and fair view, will the appliance of the accounts differ between companies and does this make the accounts lesser transparent and comparable. If this is the case do the accounts really give a true and fair view? The purpose of having the listed companies in the EU member states applying with IAS is to have a more transparent accounting in the European market. Additionally it is also to give the investors a greater possibility to compare different companies with each other in order to make a better investment decision.

When the changeover to IAS is taken place companies is more or less forced to give information, which can be considered to be pronounced, and in some cases sensitive and reviling. This regulation will give the credit market a greater ability to get an understanding of what the company's money goes to. This will increase the comparability among companies and it will make it more difficult for companies to hide capital. Moreover, it is a fact that the companies applying IAS have to be more open and give further information, which might be seen to be revealing. We are of the opinion that this will increase the comparability between different companies and it makes it more difficult for companies to hide capital. Additionally, as IAS requires the companies to supply further information it is harder for the companies to use its money for things outside of the organisations activities.

As mentioned earlier, the true and fair view within IAS is based on the Anglo-Saxon model. Furthermore, if there is going to be one single accounting system in the world, in the future, then it is good to have adopted some parts of it now. Moreover, if there is going to be one single accounting system it will probably be a mixture between IAS and US GAAP, which is also based on the Anglo-Saxon model.

6.8 Timeframe

When it comes to the time of implementing IAS it is according to us not the limit of time that is a problem. The greatest problem is at which stage IAS is when this implementation is taken place. It would probably be a bit more suitable if IAS had been adopted when the innovation and improvement of the standards are already carried out. However, even if some problems will arise when adopting IAS, the adoption of this new accounting system will, according to us, be successful.

7 Implications and proposal of new research areas

This chapter will focus on the knowledge, which we have gained throughout the study. It will also give proposals of further research areas that we find to be interesting.

7.1 Implications

This study have been very interesting and we have gained a deeper understanding of what the development of the true and fair view have been like for the companies within Sweden that are concerned by the implementation of IAS. The development of the true and fair view has been a long process and is nothing that has happen over night. Hence, it is not surprising that such a change takes time as it is concerning countries which have not previously dealt with any of the accounting tradition which true and fair view comes from.

Countries like Sweden have their origin in the Continental European model, although they are moving away from this model. The Continental European model has lately been moving more towards the Anglo-Saxon model, which is a result of the development of multinational companies which can be listed on several stock exchanges. IAS is built on the Anglo-Saxon model, this is quite obvious as IAS is an accounting system, which is suited for the shareholders, and the Anglo-Saxon model is known as the shareholder model.

Harmonising the accounting standards will benefit all the concerned companies. This is an important step for the European accounting. The companies will have a cheaper cost of capital. However it is not only the companies that will benefit, it is also the investors. This move towards a common accounting standard will enable the investors to invest in a global market in a different way than they are able to at the moment. Furthermore the comparison between companies across borders will become easier as well as the investors only will need to understand one accounting system.

We feel that this is a fascinating subject, and our enthusiasm for it has just grown throughout the study. Thereby has the dissertation developed throughout the process of the study, the more knowledge we gained about the subject the more we wanted to learn. However, as we had to keep out study focused on the aim of the study, all the information received could not be used.

7.2 Proposal of new research areas

As the interest has grown during the process of the study, we have come across areas of which further studies can be carried out. We therefore suggest that further researches could be done within the following areas.

- Where the implementation of IAS within the concerned companies successful?
 - What could have been done better?

- What has the process to reach the required knowledge about IAS for both auditors and companies been like?
- When EU will be extending to the eastern countries, how will IAS be implemented in these countries? – Are there going to be any differences compared to how this was done in the western countries? – What possibilities have these countries had to express themselves about IAS?
- Will IAS, in the future, include SME as well? – If this is the case will IAS satisfy the needs of SME's in the same extent as it does for listed companies?
- It would be interesting to see the companies' point of view, concerning true and fair view.

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Appendix 1 ***Abbreviation***

EC – European Community
EU – European Union
FIFO – First In First Out
IAS – International Accounting Standards
IASB – International Accounting Standard Board
IFRS – International Financial Reporting Standards
LIFO – Last In First Out
PwC – Price Waterhouse Coopers
SIC – Standing Interpretations Committee
SME – Small and Medium sized Enterprises
ÅRL – Årsredovisningslagen

Appendix 2

Interview guide

1. What are the differences between Swedish GAAP and IAS
2. How do these differences affect the result?
3. Will the changeover to IAS affect the rating of the companies
4. The legislation about the analysis model declare that the accountants role is to keep to their “field of action”, meaning auditing and not consulting. Does this make the changeover to IAS more difficult
5. What kind of problems may arise?
6. How will the role of the accountants change by the changeover to IAS?

7. How does the appliance of true and fair view differ between Swedish GAAP and IAS?
8. Which are the greatest differences?
9. What consequences will this have on the accounting?
10. If the true and fair view transforms, what effects will this have on the result?
11. How does IAS/IFRS suit the concerned Swedish companies?
12. What are the greatest problems with the implementation of IAS by 2005?
13. Are the concerned parties prepared for such a great change?
14. How could the knowledge about IAS among both auditors and companies be augmented?
15. Is the decision to implement IAS maid for the companies or the standard setters?

16. Is the decision to implement IAS by 1st January 2005 a realistic goal?
17. As the legislation and the paperwork concerning IAS, has happen rather rapidly, have the concerned parties been able to follow this development?
18. Have the rapidly development caused any complications, which otherwise could have been avoided?
19. Have the period of time been enough for companies and auditors to develop sufficient knowledge about IAS, in order for the implementation to take place in a satisfying way?

Appendix 3

Differences between IAS and Swedish GAAP

IAS 1 – IAS 10

IAS 1 includes Presentation of Financial Statements and has its equivalent in Swedish GAAP in RR 22. The financial statements of IAS divide the assets into either assets, capital or in another way. When it comes to the shape of the financial statement in Swedish GAAP is Redovisningsrådet referring to ÅRL. According to RR 22 is the assets divided into assets and capital. IAS 1 are including a list of which items that, as a minimum, is required to be stated in the balance sheet and profit and loss account. RR 22 states that information should be given for each liability item (except allocations) if the amount is to be paid later than five years after the closing day [(Axelman et al, 2003) The following sections are also based on the book of Axelman et al].

According to IAS 2 can the inventories be valued either according to the First In First Out (FIFO) method or the Last In First Out (LIFO) method. This part in Swedish GAAP is covered in RR 2, but there is a difference compared to IAS 2 as RR 2 does not allow the LIFO method to be used. IAS 2 does also include valuation rules considering products assigned to the production of own wood and agriculture. The historical value of such a product is real value at “the time of the harvest”.

IAS 7 is covering the Cash Flow Statements, and this is treated in RR 7 within Swedish GAAP. Within both IAS and Swedish GAAP is the direct method preferred over indirect method when preparing the Cash Flow Statement. The turnover of short-term borrowing can be net accounted when using IAS and the duration of such a short term borrowing is three months or shorter. In Swedish GAAP however is the term for short term borrowing 12 months or shorter.

IAS 8 is treating the Net profit or Loss for the Period, Fundamental Errors and Changes in Accounting Principles and has its equivalent in RR 4 and RR 5 within Swedish GAAP. IAS 8 contains how correction of fundamental errors shall be accounted for including which information is required. Fundamental errors are errors which, when they have appeared, are of such a size and character that they undermine the reliability of the report. RR 5 on the contrary does not treat fundamental errors. In IAS is the affects of changing accounting-principles and the corrections of fundamental errors, accounted for either directly towards the opening statements of the equity for the first period which is covered by the comparing benchmark, or accounted for in the profit and loss account for the period of which the change is made (allowed alternative). At the application of the allowed alternative the comparison should account the pro forma. Only the alternative, which is equivalent to benchmark treatment in IAS 8, is given in RR 4 and RR 5.

IAS 11 – IAS 20

According to IAS 11, Construction Contracts, should the percentage of completion method be applied when the stage of completion is being recognising. The equivalent standard within Swedish GAAP is RR 10, which says that the accounting for a legal

person can be based on the rules of the income tax legislation meaning that the percentage of completion method does not need to be applied.

Income Taxes are covered in IAS 12, which says that deferred taxes should be accounted to real value. According to RR 9 should at pure substance acquisition the deferred tax debt be accounted for at that value of which the acquisition have been put away at the acquisition.

IAS 14 is about Segment Reporting. The operation is divided into primary and secondary segments. Disclosure requirement is covered by the primary segments. In Swedish GAAP this is enclosed in BFN R 9 and RR 25. The disclosure requirement in R 9 is not as comprehensive as IAS 14 or RR 25. (RR 25 came to use 1 of January 2003.)

IAS 16 are enclosing Property, Plant and Equipment, this is the same as SIC 14 and SIC 23 and within Swedish GAAP RR 12. The loss on exchange can in some cases be included in the acquisition price if IAS 16 is to be used. RR 12 does not allow loss on exchange to be included in the acquisition price. It is including “allowed alternative treatment” which is valued to real value. Alternatives as “allowed alternative treatment” do not exist in RR 12. Moreover, additional information should be given according to ÅRL 4 chapter 6 §.

Employee Benefits, IAS 19, has its equivalent in FAR 4. Unconditional pension liabilities shall be accounted for in the balance sheet when applying IAS 19. When using Swedish GAAP is it desirable that unconditional pension liabilities are accounted for in the balance sheet. Preferential pension liabilities are calculated according to the Projected Unit Credit Method, which observes changes in future salaries. Preferential pension liabilities are currently valued according to Finansinspektionen’s (Swedish Financial Supervisory Authority) prescriptions. Future salaries are not taken into consideration. Calculations should be proceeding from actuary assumptions, by each individual company if IAS 19 is followed. If FAR 4 is to be followed instead should the calculations be done on the basis of actuary assumptions that are communicated by the Swedish Financial Supervisory Board. IASB leaves detailed rules of how profits and losses that arise when actuary assumptions are changed should be accounted for. Information should be left for comparison purposes when there is an essentially affect on the annual profit due to a changed actuary basis. According to IAS 19 shall additional information be given about the increase of the interest of the pension debt. Within FAR 4 should the interest be accounted for as an interest cost in the profit and loss account. The pension-foundations fortune is valued to real value when calculating for accounted pension debt within IAS. Within Swedish GAAP is the accounted value used to calculate the accounted pension debt. If eventual pension-foundations fortune is exceeding the current value of the pension liabilities is this in some cases accounted as an asset according to IAS 19. If these kinds of assets emerge within FAR 4 on the other hand, are they not accounted for in the balance sheet.

IAS 20 is covering Accounting for Government Grants and Disclosure of Government Assistance in Swedish GAAP is this included in BFN R 5. If IAS 20 is to be used shall Received Governmental aid that is concerning acquisition of fixed assets either be reducing the value of which the asset is accounted for or be treated as an income that will be accrued over the period and then be written of. According to R 5 shall received Governmental aid concerning the acquisition of fixed assets reducing the assets accounted value. In 2003 did Redovisningsrådet put RR 28, Governmental aid, into practice. This recommendation is in accordance with IAS 20.

IAS 21 – IAS 30

Within Swedish GAAP is RR 8 in accordance with IAS 21, the effects of changes in foreign exchange rates. The regulation of IAS 21 is that there will be some loss on exchange when purchases are done in a currency at which the value is being reduced and cannot be secured or included in the acquisition price of an asset (allowed alternative). RR 21 does not allow alternatives. According to IAS can the inflation be justified in countries, at which the operation takes place, with hyperinflation. Within Swedish GAAP can the monetary method be applied when recalculating operations in countries with hyperinflation. Consolidated goodwill and other justified items concerning independent foreign operations can be recalculated to the currency, which is being used, when using IAS 21. This could either be done to the exchange rate at the closure of the account or to the historical exchange rate. Within Swedish GAAP on the contrary is the historical exchange rate not allowed.

IAS 22, Business Combinations, have its equivalent in RR 1:00. According to IAS 22 is the consolidate accounts is eventual negative goodwill accounted as an deductive item among the assets in the balance sheet. In Swedish GAAP on the other hand is eventual negative goodwill accounted as an allocation. Moreover is the acquisition method used at converted acquisition for the formal parent company's (the actual acquired) profits and losses if IAS 22 is to be used. An equivalent rule does not exist in RR 1:00 as ÅRL does not allow it. The transition rules denote that all acquisitions after 1 of January 1995 are accounted for in accordance with IAS 22. This is not mandatory according to RR 1:00 however, such a recalculation is encouraged.

IAS 23, Borrowing Costs, is comparable with RR 21 in Swedish GAAP. According to IAS are borrowing costs assigned to loans financed by assets and this completion is very time consuming. These borrowing costs are either accounted for by being included in the acquisition value (benchmark) for the asset or it is paid for immediately (allowed alternative). According to RR 21 is the allowed alternatives permitted in the accounting of a juridical person even if benchmark is being applied in the conciliated accounts. Furthermore, additional information shall be given of the amount of the assets acquisition value as this is the interest costs.

IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries, are included in RR 1:00 in Swedish GAAP. Consolidated subsidiary company is always accounted for in the consolidated accounts in accordance with the

acquisition accounting purchase method if IAS 27 is used. Even in RR 1:00 is the consolidated subsidiary company accounted for in the consolidated accounts, and normally in accordance with the acquisition accounting purchase method. Although, in some cases shall the equity method be applied. When IAS 27 is followed can the owner company's accounting include shares in the subsidiary company be accounted to the acquisition value, in accordance with the equity or to real value. When using Swedish GAAP can the shares of the subsidiary company only be accounted for to the acquisition value. Within IAS should additional information be given for certain essential subsidiary companies, whereas in Swedish GAAP additional information should be given for all subsidiary companies.

IAS 28, Accounting for Investments in Associates, has its equivalent in RR 13 within Swedish GAAP. Within IAS can owner companies account shares in interest companies to acquisition value, according to the equity method or to real value. Within Swedish GAAP however is these shares only accounted to the acquisition price.

IAS 31 – IAS 41

IAS 31, Financial Reporting of Interest in Joint Ventures is comparable with the Swedish, RR 14. An investor's possession of shares in a joint venture shall be accounted for in the consolidated accounts in accordance to IAS 39 or if it is concerning interest companies according to IAS 28. An investor's possession of shares in a joint venture shall be accounted for in the consolidated accounts to acquisition value or, if it is concerning interest companies according to the equity method if RR 14 is to be used.

IAS 32, Financial Instrument Disclosure and Presentation, is similar to RR 27 although some differences exist. According to IAS 32 is a financial instrument that a company have issued, accounted for in the company's balance sheet as a debt or as equity, where as the economical meaning of the instrument conditions is of vital importance for the classification. A preference share is accounted for as equity no matter of the economical meaning according to RR 27. If several financial instruments are being used to imitate one single financial instrument (one so called synthetically instrument) is each instrument accounted by itself according to IAS 32. In RR 27, on the other hand, is the synthetically instrument in some cases accounted for as a unit. In IAS 32 is also additional comprehensive information required to be given.

IAS 33, Earnings per share, is analogues to Swedish GAAP's RR 18. According to IAS shall a subscription liquidity be accounted to present value and not stated in those cases the company have calculated the earnings per share after dilution and warrants have been given. The present value of the liquidity subscription is being used when calculating the dilution and earnings per share after dilution and the warrants have been given, when RR18 is used.

IAS 34, Interim Financial Reporting, is equivalent to RR 20 in Swedish GAAP. A company is allowed to state that IAS is being used even if the interim financial report is

not published. RR 20 on the contrary is referring to ÅRL and this regulation concerns the stock exchange- and clearing-activity about the interim financial report.

IAS 38, Intangible Assets is comparable with the Swedish GAAP RR 15. According to IAS 38 is the allowed alternative, that some intangible fixed assets can currently be valued to real value. That is not possible in RR 15. According to this standard should the intangible assets be valued on the basis of the acquisitions price. Furthermore, if the depreciation period for an intangible fixed asset is exceeding five years shall information be given of the reasons for the longer depreciation period. Moreover, a legal person can expenditures for research and development expenditure be accounted for as a cost even if they balance in the consolidated accounts.

There is not an equivalent existing standard in Swedish GAAP to IAS 39, Financial Instruments Recognition and Measurement. Financial assets is according to IAS 39 accounted to real value with some exceptions such as company's trading and loans left by the company meaning to be in possession until decay and also financial and assets which real value cannot be calculated in a reliable way. Financial instruments are mainly valued according to lower of cost or net realizable value within Swedish GAAP. Derivative instrument are accounted to teal value in the balance sheet in IAS 39. In Swedish GAAP is some phenomenon accounted "off-balance". Within IAS is some financial debts valued to real value. They also have specific rules for using accounting in accordance with the safety regulations.

Investment property, IAS 40, has its equivalent within Swedish GAAP in RR 24. Buildings held for investment purposes are valued either on the basis of acquisition price or to real value within IAS. When buildings held for investment purposes are valued to the acquisition price is information about real value also given. Within RR 24 is valuing to real value not allowed, instead is the acquisition price used in the balance sheet however information of real value is given.

IAS 41, Agriculture, does not have an equivalent recommendation in Swedish GAAP. According to IAS 41 is the real value less estimated point-of-sale costs being used when measure the biological assets, except where fair value cannot be measured reliably. In the balance sheet is the valuation based on the acquisition price.