IFRS compared to Swedish GAAP: An overview
About this publication

Content
The purpose of this publication is to assist you in understanding significant differences between the accounting principles of International Financial Reporting Standards (IFRSs) and Swedish generally accepted accounting principles (SGAAP). This publication is a summary of the key requirements of IFRSs with comments on whether there is a difference compared to SGAAP or not.

This publication addresses general industries and transactions. It does not consider the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans or IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions. In addition, the publication focuses on the preparation of consolidated financial statements by listed entities (and entities of such size that they attract public interest) on a going concern basis, and does not address requirements or options applicable only in separate (unconsolidated) financial statements. Specific laws and regulations for financial institutions, such as banks and insurance companies are not covered, however, most IFRS requirements apply to financial institutions.

For each major financial statements line item or accounting area, a brief summary of the key requirements of IFRSs is included in the left-hand page. In the right-hand page, SGAAP is compared to IFRSs, highlighting similarities and differences.

The requirements of IFRSs are discussed on the basis that the entity has adopted IFRSs already. The special transitional rules that will apply in the period that an entity changes its GAAP to IFRSs are not discussed. In such cases, the entity should refer to IFRS 1 First-time Adoption of International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) in March 2004, which is effective for the periods beginning on or after 1 January 2004.
**Cut-off date**

IFRSs reflect all standards and interpretations in issue at 31 December 2004 that are applicable for financial periods beginning on or after 1 January 2005. However, when a significant change will occur as a result of a standard or interpretation that is in issue at 31 December 2004, but which is not required to be adopted at 1 January 2005, the impact of these “forthcoming requirements” is discussed. SGAAP covers requirements applicable at 31 December 2004. A list of these standards and interpretations is included in Appendix A. There are no forthcoming requirements for SGAAP as IFRSs are mandatory from 1 January 2005 for listed companies in their consolidated financial statements.
# Contents

1. **Background**  
   | 1.1 Introduction  | 4  
   | 1.2 The Framework | 6  

2. **General issues**  
   | 2.1 Form and components of financial statements  | 8  
   | 2.2 Statement of changes in equity  | 10  
   | 2.3 Statement of cash flows  | 12  
   | 2.4 Basis of accounting  | 14  
   | 2.5 Consolidation  | 16  
   | 2.6 Business combinations  | 20  
   | 2.7 Foreign exchange translation  | 24  
   | 2.8 Changes in accounting policies and estimates, and errors  | 28  
   | 2.9 Events after the balance sheet date  | 30  

3. **Specific balance sheet items**  
   | 3.1 General  | 32  
   | 3.2 Property, plant and equipment  | 34  
   | 3.3 Intangible assets and goodwill  | 38  
   | 3.4 Investment property  | 42  
   | 3.5 Investments in associates and joint ventures  | 44  
   | 3.6 Financial instruments  | 48  
   | 3.7 Inventories  | 52  
   | 3.8 Biological assets  | 54  
   | 3.9 Impairment  | 56  
   | 3.10 Equity  | 60  
   | 3.11 Provisions  | 62  
   | 3.12 Deferred tax  | 64  
   | 3.13 Contingent assets and liabilities  | 68  

© 2005 KPMG Bohlins AB, the Swedish member firm of KPMG International, a Swiss cooperative.
4. Specific income statement items 70
   4.1 General 70
   4.2 Revenue 72
   4.3 Government grants 74
   4.4 Employee benefits 76
   4.5 Share-based payments 80
   4.6 Financial income and expense 82
   4.7 Income tax (current tax) 84
   4.8 Unusual or exceptional items 86

5. Special topics 88
   5.1 Leases 88
   5.2 Segment reporting 92
   5.3 Earnings per share 94
   5.4 Non-current assets held for sale and discontinued operations 96
   5.5 Related party disclosures 98
   5.6 Financial instruments: presentation and disclosure 100
   5.7 Non-monetary transactions 102
   5.8 Accompanying financial and other information 104
   5.9 Interim financial reporting 106
   5.10 Insurance contracts 108
   5.11 Extractive activities 110

Appendix A 112
   List of IFRSs in issue at 31 December 2004 112
   List of RRs and URAs in issue at 31 December 2004 116
1. **Background**

1.1 **Introduction**

(IASC Foundation Constitution, Preface to IFRSs, IAS 1, IAS 8)

“IFRSs” is the term used to indicate the whole body of International Accounting Standards Board’s (IASBs) authoritative literature.

IFRSs are designed for use by profit-oriented entities.

Any entity claiming compliance with IFRSs must comply with all standards and interpretations, including disclosure requirements.

The bold- and plain-type paragraphs of IFRSs have equal authority and must be complied with.

The overriding requirement of IFRSs is for the financial statements to give a fair presentation (true and fair view).

A hierarchy of alternative sources is specified for situations when IFRSs do not cover a particular issue.

There are no special standards or exemptions for small and medium-sized entities.
1. Background

1.1 Introduction

Swedish generally accepted accounting principles (SGAAP) is based on law (i.e., the Swedish Annual Accounts Act, AAA), standards (i.e., RRs), interpretations (URAs) and guidelines.

- RRs are issued by a private sector standard setting body, the Redovisningsrådet.

- The AAA requires entities to prepare financial statements that give a fair presentation in accordance with SGAAP, and also specifies, for example, formats, basic principles, disclosure requirements and audit requirements.

RRs and URAs are designed for use by listed companies and entities that because of their size are public interest entities.

Any entity claiming compliance with RRs must comply with all standards and interpretations, including disclosure requirements.

Like IFRSs, both the bold- and plain-type paragraphs of RRs have equal authority and must be complied with.

Like IFRSs, the RRs allow an override if compliance with a standard would be misleading. However, departure from specific requirements in the AAA is not allowed.

Like IFRSs, a hierarchy of alternative sources is specified for situations when RRs do not cover a particular issue.
1.2 The Framework

(IASB Framework)

The IASB uses its conceptual framework as an aid to drafting new or revised IFRSs.

The Framework is a point of reference for preparers of financial statements in the absence of specific guidance.

IFRSs do not apply to items that are “immaterial”.

Transactions should be accounted for in accordance with their substance, rather than only their legal form.

Transactions with equity holders should be considered carefully in determining the appropriate accounting.
1.2 The Framework

(RR’s Framework)

Since 1989, the Redovisningsrådet has sought to base its standards largely on IFRSs within the constraints of the AAA.

The IASB Framework is a point of reference for preparers of financial statements in the absence of specific guidance in SGAAP.

Like IFRSs, RRs do not apply to items that are “immaterial”.

Like IFRSs, transactions should be accounted for in accordance with their substance, rather than only their legal form.

Like IFRSs, transactions with equity holders should be considered carefully in determining the appropriate accounting.
2. General issues

2.1 Form and components of financial statements

(IAAS 1, IAAS 27)

The following must be presented: balance sheet; income statement; statement of changes in equity or a statement of recognised income and expense; statement of cash flows; and notes, including accounting policies.

While IFRSs specify minimum disclosures to be made in the financial statements, they do not require prescriptive formats.

Comparative information is required for the preceding period only, but additional periods and information may be presented.

An entity must present consolidated financial statements unless specific criteria are met.

There is no requirement to present the parent entity’s financial statements in addition to consolidated financial statements, although this is permitted.
2. General issues

2.1 Form and components of financial statements

(AAA, RR 1:00, RR 22)

Like IFRSs, the following must be presented: balance sheet; income statement; statement of changes in equity or a statement of recognised income and expense; statement of cash flows; and notes, including accounting policies. Unlike IFRSs, under the AAA, a directors’ report also is required.

Unlike IFRSs, the specific balance sheet format set out in the AAA and one of the two allowed formats for the income statement must be used.

Like IFRSs, comparative information is required for the preceding period only, but additional periods and information may be presented.

Like IFRSs, an entity must present consolidated financial statements unless specific criteria are met. These criterion are somewhat different compared to IFRSs.

Unlike IFRSs, there is a requirement to present the parent entity’s financial statements in addition to consolidated financial statements.
2.2 Statement of changes in equity

(IAS 1, IAS 8)

There is a choice of presenting as a primary statement either a statement of recognised income and expense or a statement of changes in equity.

The statement of recognised income and expense combines net profit or loss with all other non-owner movements recognised directly in equity.

An item of income or expense may be recognised directly in equity only when a standard permits or requires it.
2.2 Statement of changes in equity

(RR 22)

Like IFRSs, there is a choice of presenting as a primary statement either a statement of recognised income and expense or a statement of changes in equity.

Like IFRSs, the statement of recognised income and expense combines net profit or loss with all other non-owner movements recognised directly in equity.

Like IFRSs, an item of income or expense may be recognised directly in equity only when a standard permits or requires it.
2.3 Statement of cash flows

(CAS 7)

Cash flows are classified as relating to operating, investing and financing activities.

Net cash flows from all three activities are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Cash includes short-term investments and in some cases, overdrafts.

Cash flows from operating activities may be presented either by the direct method or the indirect method.

Foreign currency cash flows are translated at the exchange rate at the date of the cash flow (or using averages when appropriate).

Generally, all financing and investing cash flows should be reported gross, without applying offset.
2.3 Statement of cash flows

Like IFRSs, cash flows are classified as relating to operating, investing and financing activities.

Like IFRSs, net cash flows from all three activities are totalled to show the change in cash and cash equivalents during the period, which then is used to reconcile opening and closing cash and cash equivalents.

Like IFRSs, cash includes short-term investments and in some cases overdrafts.

Like IFRSs, cash flows from operating activities may be presented using either the direct or the indirect method.

Like IFRSs, foreign currency cash flows are translated at the exchange rate at the date of the cash flow (or using averages when appropriate).

Like IFRSs, generally all financing and investing cash flows should be reported gross, without applying offset.
2.4 Basis of accounting  
(IAS 1, IAS 21, IAS 29, IFRS Glossary of Terms)

Financial statements are prepared on a modified historical cost basis, with a growing emphasis on fair value.

When an entity’s functional currency is hyperinflationary its financial statements must be adjusted to state all items in the measuring unit current at the balance sheet date.
2.4 Basis of accounting

(AAA, Bookkeeping Act, RR 1:00, RR 8, RR 12, RR 15, RR 22, RR 24, RR 27, URA 27)

Like IFRSs, financial statements are prepared on a modified historical cost basis, but unlike IFRSs, the fair value model is allowed and not required. The alternative of using fair value applies only to derivatives and some other financial instruments (see 3.6).

Unlike IFRSs, the monetary-non-monetary method is allowed as an alternative method for making current purchasing power adjustments for entities operating in hyperinflationary economies; alternatively, like IFRSs, the financial statements would be adjusted to state all items in the measuring unit current at the balance sheet date.
2.5 Consolidation

(IA 27, SIC–12, IFRS 3)

Consolidation is based on control, which is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The ability to control is considered separately from the exercise of that control, and *de facto* control is not a basis for consolidation.

Potential voting rights that presently are exercisable or convertible are taken into account in assessing control.

Special purpose entities (SPEs) are consolidated in many cases when benefits flow back to the sponsor.

Venture capitalists must consolidate all subsidiaries.

All subsidiaries controlled by a parent are consolidated even if they are acquired exclusively with the intention of disposal, but may qualify as a disposal group (see 5.4).

Generally, uniform accounting policies must be used throughout the group.

The difference between the reporting dates of a parent and a subsidiary cannot be more than three months.

Minority interests are computed based on the carrying amounts on consolidation.

Losses in a subsidiary may create a debit balance on minority interests only if the minority has an obligation to fund the losses.

Minority interests are classified within equity but separate from parent shareholders’ equity (see 3.10).

Intragroup transactions are eliminated in full, except to the extent that the transaction is evidence of impairment.
2.5 Consolidation

(AAA, RR 1:00, URA 20, URA 40)

Like IFRSs, consolidation is based on control, which is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. However, unlike IFRSs, the AAA requires that a parent company own at least one share of the subsidiary.

Like IFRSs, the ability to control is considered separately from the exercise of that control, and *de facto* control is not a basis for consolidation.

Like IFRSs, potential voting rights that presently are exercisable or convertible are taken into account in assessing control.

Like IFRSs, SPEs are consolidated in many cases when benefits flow back to the sponsor.

Like IFRSs, venture capitalists must consolidate all subsidiaries.

Unlike IFRSs, subsidiaries are excluded from consolidation if they are acquired exclusively with the intention of disposal. This is because control is considered to be temporary.

The requirement to use uniform accounting policies is not as strict as under IFRSs. When due to impracticability, differing accounting policies are used in consolidated financial statements, this should be disclosed.

Like IFRSs, the difference between the reporting dates of a parent and a subsidiary cannot be more than three months.

Unlike IFRSs, minority interests are computed based on the carrying amounts of the assets and liabilities reported by the subsidiary itself.
Like IFRSs, losses in a subsidiary may create a debit balance on minority interests only if the minority has an obligation to fund the losses.

Minority interests are classified separately from parent shareholders’ equity and liabilities and not within equity as under IFRSs (see 3.10). Unlike IFRSs, profit or loss attributable to minority interest is presented as an item of income or expense in the income statement.

Like IFRSs, intragroup transactions are eliminated in full, except to the extent that the transaction is evidence of impairment.
2.6 Business combinations  
(IAS 38, IFRS 3)

All transactions within the scope of IFRS 3 must be accounted for as acquisitions. The uniting of interests method that was allowed in limited circumstances cannot be used for transactions which have an agreement date later than 31 March 2004.

The date of acquisition is the date on which effective control is transferred to the acquirer.

The cost of acquisition, which is determined at the date of exchange, is the amount of cash or cash equivalents paid, plus the fair value of the other purchase consideration given, including equity instruments issued and liabilities assumed plus any costs directly attributable to the acquisition.

When payment for a business combination is deferred, the amount payable is discounted to its present value.

A liability for contingent consideration is recognised as soon as payment becomes probable and the amount can be measured reliably.

The acquiree’s identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

Non-current assets (or disposal groups) classified as held for sale are measured at fair value less costs to sell at the date of acquisition (see 5.4).

The cost of restructuring an acquired entity is a post-acquisition expense.

Under IFRSs, goodwill is not amortised (see 3.3).

Subject to limited exceptions, adjustments to goodwill must be made within 12 months of the acquisition. Changes are made by restating the original estimate.
2.6 Business combinations
(XXX, RR 1:00, RR 15, URA 18, URA 30, URA 35)

Unlike IFRSs, the uniting of interests method is allowed in limited circumstances.

Like IFRSs, the date of acquisition is the date on which effective control is transferred to the acquirer.

Like IFRSs, the cost of an acquisition, which is determined at the date of exchange is the amount of cash or cash equivalent paid, plus the fair value of other purchase consideration given, including equity instruments issued and liabilities assumed plus any costs directly attributable to the acquisition.

Like IFRSs, when payment for a business combination is deferred, the amount payable is discounted to its present value.

Like IFRSs, a liability for contingent consideration is recognised as soon as payment becomes probable and the amount can be measured reliably.

Like IFRSs, the acquiree's identifiable assets and liabilities are measured at fair value at the date of acquisition, but unlike IFRSs, the acquiree's contingent liabilities are not recognised.

Unlike IFRSs, the classification “held for sale” is not available under SGAAP. However, non-current assets that are acquired solely with the intent of selling them are measured at the amount expected to be received less selling costs (see 5.4).

Unlike IFRSs, the costs of restructuring an acquired entity are recognised if the main features of the plan are announced by the date of acquisition and a detailed plan is finalised by the earlier of three months after the date of acquisition or when the financial statements are authorised for issue.

Unlike IFRSs, goodwill is amortised to profit or loss (see 3.3).
When the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the acquirer must reassess the fair values and then recognise any remaining excess in profit or loss immediately on acquisition.

“Push down” accounting is not used.

If an acquisition is achieved in successive share purchases, then each significant transaction is accounted for separately as an acquisition. When control is obtained, adjustments to the fair values of the identifiable assets and liabilities acquired in a previous transaction are treated as revaluations.

There is no guidance in IFRSs on accounting for common control transactions.
Unlike IFRSs, adjustments to goodwill can be made through the end of the first full financial year following the acquisition, subject to limited exceptions. Unlike IFRSs, comparatives are not restated.

Unlike IFRSs, when the fair value of the identifiable assets and liabilities exceeds the acquisition cost, the acquirer does not recognise any remaining excess (negative goodwill) in profit or loss immediately on acquisition. Instead, negative goodwill is presented as a provision and is amortised to profit or loss on a systematic basis.

Like IFRSs, “push down” accounting is not used.

Like IFRSs, if an acquisition is achieved in successive share purchases, then each significant transaction is accounted for separately as an acquisition. Unlike IFRSs, fair values reflect only the percentage ownership of the subsidiary and no adjustments to fair values relating to previously held interests of the acquirer are made.

Unlike IFRSs, there is some guidance in SGAAP for accounting for common control transactions and differences may result in practice.
2.7 Foreign exchange translation

(IA 21, IAS 29)

An entity measures its assets, liabilities, revenues and expenses in its functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

An entity may present its financial statements in a currency other than its functional currency.

All transactions that are not denominated in an entity's functional currency are foreign currency transactions; exchange differences arising on translation generally are recognised in profit or loss.

The financial statements of foreign operations are translated into the parent's or investor's presentation currency using the foreign entity method: assets and liabilities are translated at the closing rate; revenues and expenses are translated at actual rates or appropriate averages.

If the functional currency of a foreign operation is hyperinflationary, then current purchasing power adjustments are made to its financial statements prior to translation; the financial statements then are translated at the closing rate at the end of the current period.

When an investment in a foreign operation is disposed of, the cumulative exchange differences previously recognised directly in equity are transferred to profit or loss.

A foreign currency transaction is measured at the spot rate on initial recognition. Any related forward contracts are measured at fair value and may qualify as hedging instruments (see 3.6).

When financial statements are translated into a presentation currency other than the functional currency, the translation procedures are the same as those for translating foreign operations.
2.7 Foreign exchange translation

(AAA, R 8, URA 27, URA 37, BFN R7)

Like IFRSs, an entity measures its assets, liabilities, revenues and expenses in its functional currency. Unlike IFRSs, the AAA mandates that for Swedish entities the functional currency must be the Swedish kronor or, in some cases, the euro.

Unlike IFRSs, a Swedish entity may not present its financial statements in a currency other than its functional currency. For Swedish entities, the functional and presentation currency must be the same and that currency must be the Swedish kronor or, in some cases, the euro.

Like IFRSs, all transactions that are not denominated in an entity’s functional currency are foreign currency transactions; exchange differences arising on translation generally are recognised in profit or loss.

Like IFRSs, the financial statements of foreign operations are translated into the parent’s or investor’s presentation currency using the foreign entity method: assets and liabilities are translated at the closing rate; revenues and expenses are translated at actual rates or appropriate averages.

Like IFRSs, if the functional currency of a foreign operation is hyperinflationary, then current purchasing power adjustments are made to its financial statements prior to translation. Generally, the financial statements then are translated in the same way as for IFRSs. Unlike IFRSs, the monetary-non-monetary method is allowed as an alternative method for making current purchasing power adjustments for foreign operations, operating in hyperinflationary economies.

Like IFRSs, when an investment in a foreign operation is disposed of, the cumulative exchange differences previously recognised directly in equity are transferred to profit or loss.
Like IFRSs, a foreign currency transaction is measured at the spot rate on initial recognition. Alternatively, if the term of the forward contract is three months or less, the underlying receivable or payable may be measured at the contract rate. Under SGAAP, any related forward contracts may be measured at fair value or the lower of cost or net realisable value and may qualify as a hedging instrument (see 3.6).

Unlike IFRSs, financial statements of a Swedish entity cannot be translated into a presentation currency other than the functional currency, because for Swedish entities the functional and presentation currency must be the same and that currency must be the Swedish kronor or, in some cases, the euro.
2.8 Changes in accounting policies and estimates, and errors

(IAS 1, IAS 8)

Most accounting policy changes and any corrections of errors are made by adjusting opening retained earnings and restating comparatives unless this is not practicable.

Changes in accounting estimates are accounted for prospectively.

Comparatives are restated unless impracticable if the classification or presentation of items in the financial statements is changed.
2.8 Changes in accounting policies and estimates, and errors
(RR 4, RR 5)

Like IFRSs, most accounting policy changes are made by adjusting opening retained earnings and restating comparatives unless this is not practicable. Unlike IFRSs, any corrections of errors are adjusted in profit or loss for the current year.

Like IFRSs, changes in accounting estimates are accounted for prospectively.

Like IFRSs, comparatives are restated unless impracticable if the classification or presentation of items in the financial statements is changed.
2.9 Events after the balance sheet date
(IAS 1, IAS 10, IAS 33)

The financial statements are adjusted to reflect events that occur after the balance sheet date if those events provide evidence of conditions that existed at the balance sheet date.

Generally, the financial statements are not adjusted for events that are indicative of conditions that arose after the balance sheet date.

Classification of liabilities does not reflect post-balance sheet agreements.

Dividends declared, proposed or approved after the balance sheet date are not recognised as a liability in the financial statements.
2.9 Events after the balance sheet date  

(AAA, RR 26)

Like IFRSs, the financial statements are adjusted to reflect events that occur after the balance sheet date if those events provide evidence of conditions that existed at the balance sheet date.

Like IFRSs, generally the financial statements are not adjusted for events that are indicative of conditions that arose after the balance sheet date.

Unlike IFRSs, under specific circumstances, classification of liabilities should reflect post-balance sheet agreements (see 3.1)

Like IFRSs, dividends declared, proposed or approved after the balance sheet date are not recognised as a liability in the financial statements.
3. Specific balance sheet items

3.1 General

(IAS 1, IAS 32)

Generally, an entity presents the balance sheet classified between current and non-current.

While IFRSs require certain items to be presented on the face of the balance sheet, there is no prescribed format.

A liability that is payable on demand because certain conditions are breached should be classified as current.

Some assets and liabilities that are part of working capital should be classified as current even if they are due to be settled more than 12 months after the balance sheet date.

A financial asset and liability is offset and reported net only when the entity has a legally enforceable right to offset and it intends either to settle on a net basis or to settle both amounts simultaneously.
3. **Specific balance sheet items**

3.1 **General**

**(AAA, RR 22, RR 27, URA 26)**

Like IFRS an entity generally presents the balance sheet classified between current and non-current. While IFRSs, sets out criteria for classification of current assets, the AAA defines what constitutes fixed assets. Further, liabilities may additionally, or alternatively, be presented as “interest-bearing” and “non-interest bearing.” Under SGAAP, provisions are presented separately from liabilities.

Unlike IFRSs, a specific balance sheet format is mandated under the AAA.

Unlike IFRSs, liabilities continue to be classified as non-current if the original term is for a period longer than 12 months and when a non-current refinancing is completed before the financial statements are authorised for issue.

Like IFRSs, some assets and liabilities that are part of working capital should be classified as current even if they are due to be settled more than 12 months after the balance sheet date.

Like IFRSs, a financial asset and liability is offset and reported net only when the entity has a legally enforceable right to offset and it intends either to settle on a net basis or to settle both amounts simultaneously.
3.2 Property, plant and equipment

(Property, plant and equipment are recognised initially at cost.

Cost includes all expenditure, including administrative and general overhead expenditure, directly attributable to bringing the asset to a working condition for its intended use.

Cost includes the estimated cost of dismantling and removing the asset and restoring the site.

Changes to an existing decommissioning or restoration obligation generally must be added to or deducted from the cost of the related asset and depreciated prospectively over the asset’s remaining useful life.

Cost may include certain interest costs.

Property, plant and equipment is depreciated over its useful life.

An item of property, plant and equipment is depreciated even if it is idle. However, a non-current asset that is held for sale is not depreciated (see 5.4).

The useful life, residual value and method of depreciation must be reviewed at least at each financial year end. Estimated residual values reflect prices at the balance sheet date.

A change in the useful life is accounted for prospectively as a change in accounting estimate.

When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting).

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the entity, or when the costs are for replacing a component that is accounted for separately.
3.2 Property, plant and equipment
(AAA, RR 12, URA 22, URA 31)

Like IFRSs, property, plant and equipment are recognised initially at cost.

Like IFRSs, cost includes all expenditure, including administrative and general overhead expenditure directly attributable to bringing the asset to a working condition for its intended use.

Like IFRSs, cost includes the estimated cost of dismantling and removing the asset and restoring the site.

Like IFRSs, changes to an existing decommissioning or restoration obligation generally must be added to or deducted from the cost of the related asset and depreciated prospectively over the asset’s remaining useful life.

Like IFRSs, cost may include certain interest costs.

Like IFRSs, property, plant and equipment is depreciated over its useful life.

Like IFRSs, an item of property, plant and equipment is depreciated even if it is idle. However, unlike IFRSs, classification of a non-current asset as held for sale is not allowed under SGAAP and amortisation and depreciation on the asset continues until the asset is sold (see 5.4).

Unlike IFRSs, there is no requirement to review the useful life, residual value and method of depreciation each financial year. Under SGAAP, useful lives and methods of depreciation must be reviewed periodically. There is no requirement to review residual values.

Like IFRSs, a change in the useful life of an asset is accounted for prospectively as a change in accounting estimate.
Property, plant and equipment may be revalued to fair value if all items in the same class are revalued at the same time and the revaluations are kept up-to-date.

Compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.

The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.
Unlike IFRSs, component accounting is encouraged but not required except for certain major inspection and overhaul costs.

Unlike IFRSs, subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits in excess of the originally assessed standard of performance of the asset, or like IFRSs, when it replaces a component that is accounted for separately.

Unlike IFRSs, items of property, plant and equipment may be revalued on an ad hoc basis when the fair value exceeds the carrying value and the excess value is considered to be significant, reliable and of a permanent nature. The IFRS revaluation model is not allowed under SGAAP.

Like IFRSs, compensation for loss or impairment cannot be offset against the carrying amount of the asset lost or impaired.

Like IFRSs, the gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.
3.3 Intangible assets and goodwill

(IA 38, SIC-32, IFRS 3)

For an item to be recognised as an intangible asset, it must have future economic benefits that it is probable will be realised and its cost must be reliably measurable.

Intangible assets are recognised initially at cost.

The measurement of the cost of an intangible asset depends on whether it has been acquired separately, acquired as part of a business combination or was generated internally.

Goodwill represents future economic benefits arising from assets that are not capable of being identified individually and recognised separately.

Acquired goodwill and other intangible assets with indefinite lives are not amortised but must be tested for impairment at least annually.

Intangible assets with finite lives are amortised over their expected useful lives, normally on a straight-line basis.

Generally, the residual value of an intangible asset is assumed to be zero.

Subsequent expenditure on an intangible asset is capitalised only rarely.

Intangible assets may be revalued to fair value only if there is an active market.

The following costs cannot be capitalised as intangible assets: internally generated goodwill, research costs, costs to develop customer lists, start-up costs, and expenditure incurred on training, advertising and promotional activities or on relocation or reorganisation.
3.3 Intangible assets and goodwill

Like IFRSs, for an item to be recognised as an intangible asset, it must have future economic benefits that it is probable will be realised and its cost must be reliably measurable.

Like IFRSs, intangible assets are recognised initially at cost.

Like IFRSs, the measurement of the cost of an intangible asset depends on whether it has been acquired separately, acquired as part of a business combination or was generated internally.

Like IFRSs, goodwill represents future economic benefits arising from assets that are not capable of being identified individually and recognised separately.

Unlike IFRSs, acquired goodwill is amortised. There is a rebuttable presumption that the useful life of acquired goodwill will not exceed 20 years. Annual impairment testing is required for goodwill with useful lives exceeding 20 years.

Unlike IFRSs, all other intangible assets are amortised, normally on a straight-line basis over their expected useful lives. They cannot be treated as having indefinite useful lives and there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years. An annual impairment test is required for intangible assets not yet ready for use and for those with useful lives exceeding 20 years.

Like IFRSs, generally, the residual value of an intangible asset is assumed to be zero.

Like IFRSs, subsequent expenditure on intangible assets will be capitalised only rarely.
Unlike IFRSs, revaluation of intangible assets is never permitted.

Like IFRSs, the following costs cannot be capitalised as intangible assets: internally generated goodwill, research costs, costs to develop customer lists, start-up costs, and expenditure incurred on training, advertising and promotional activities or on relocation or reorganisation.
3.4 Investment property (IAS 40)

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property accounting is required for all investment property.

Investment property is recognised initially at cost.

Subsequent to initial recognition, all investment property should be measured using either the fair value model (subject to limited exceptions) or by using a cost model. When the fair value model is chosen, changes in fair value are recognised in profit or loss.

Disclosure of the fair value of all investment properties is required, regardless of the measurement model used.

Subsequent expenditure is capitalised only when it is probable that future economic benefits will flow to the entity, or when the costs are for replacing a component that is accounted for separately.

Transfers to or from investment property can be made only when there has been a change in the use of the property.

The gain or loss on disposal is the difference between the net disposal proceeds and the carrying amount of the property.
3.4 Investment property
(AAA, RR 24)

Like IFRSs, property is classified as investment property if it is held to earn rentals or for capital appreciation or both.

Unlike IFRSs, investment property is accounted for as property, plant and equipment (see 3.2).

Like IFRSs, investment property is recognised initially at cost.

Unlike IFRSs, subsequent to initial recognition, all investment property should be measured using the cost model. The fair value model is not allowed. However, like other property, plant and equipment, investment property may be revalued on an ad hoc basis when the fair value exceeds the carrying value and the excess value is considered to be significant, reliable and of a permanent nature.

Like IFRSs, disclosure is required of the fair value of all investment properties.

Unlike IFRSs, subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits in excess of the originally assessed standard of performance of the asset or like IFRSs, when it replaces a component that is accounted for separately.

Like IFRSs, transfers to or from investment property can be made only when there has been a change in the use of the property.

Like IFRSs, the gain or loss on disposal is the difference between the net disposal proceeds and the carrying amount of the property.
3.5 Investments in associates and joint ventures

(IAS 28, IAS 31, SIC–13)

The definition of an associate is based on the ability to exercise significant influence, which is the power to participate in the financial and operating policies of an entity.

There is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

Potential voting rights that are exercisable currently are taken into account in assessing significant influence.

A joint venture is an entity, asset or operation that is subject to contractually established joint control.

Associates are accounted for using the equity method in the consolidated financial statements.

Jointly controlled entities may be accounted for either by proportionate consolidation or using the equity method.

Entities excluded from proportional consolidation or equity accounting are treated as financial assets.

Financial information relating to an associate or joint venture included in the investor’s financial statements should be prepared using the investor’s accounting policies.

When an associate or a joint venture accounted for under the equity method incurs losses, the carrying amount of the investor’s equity investment is reduced, but not below zero. At that point, further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses.
3.5 Investments in associates and joint ventures

(AAA, RR 13, RR 14, URA 16, URA 21, URA 28, URA 40)

Like IFRSs, the definition of an associate is based on the ability to exercise significant influence, which is the power to participate in the financial and operating policies of an entity.

Like IFRSs, there is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of the voting rights of another entity.

Like IFRSs, potential voting rights that are exercisable currently are taken into account in assessing significant influence.

Like IFRSs, a joint venture is an entity, asset or operation that is subject to contractually established joint control.

Like IFRSs, associates are accounted for using the equity method in the consolidated financial statements.

Like IFRSs, jointly controlled entities may be accounted for either by proportionate consolidation or using the equity method.

Unlike IFRSs, entities excluded from proportional consolidation or equity accounting are accounted for at cost.

Unlike IFRSs, SGAAP provides an exception to the requirement that an associate’s or joint venture’s accounting policies should be consistent with those of its investor when it is not practicable to use uniform accounting policies.

Like IFRSs, when an associate or a joint venture accounted for under the equity method incurs losses, the carrying amount of the investor’s equity investment is reduced, but not below zero. At that point, further losses are recognised by the investor only to the extent that the investor has an obligation to fund losses.
When recognising its share of losses, an investor considers not only equity investments but also other long-term interests that form part of the investor’s net investment in the associate. Interests to be considered do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists (e.g., secured loans).

Unrealised profits and losses on transactions with associates or joint ventures are eliminated to the extent of the investor’s interest in the investee.

No gains or losses are recognised when non-monetary assets are contributed to a joint venture in exchange for an interest in assets contributed by other joint venture investors when the exchange lacks commercial substance.

Venture capital investors and similar entities may elect not to apply the equity method for investments in associates and joint ventures and instead account for these investments as financial instrument trading investments (see 3.6).
Unlike IFRSs, when recognising its share of losses, an investor considers only equity investments in the associate.

Like IFRSs, unrealised profits and losses on transactions with associates or joint ventures are eliminated to the extent of the investor’s interest in the investee.

Similar to IFRSs, no gains or losses are recognised when non-monetary assets are contributed to a joint venture in exchange for an interest in assets contributed by other joint venture investors, when the exchange is for similar assets.

Unlike IFRSs, venture capital investors and similar entities must account for associates and jointly controlled operations using the equity method or proportionate consolidation and cannot account for such investments as financial instrument trading investments (see 3.6).
3.6 Financial instruments
(IAS 21, IAS 32, IAS 39)

All derivatives are recognised on the balance sheet and measured at fair value.

All financial assets must be classified into “loans and receivables,” “held-to-maturity,” “fair value through profit or loss” or “available-for-sale” categories.

Loans and receivables and held-to-maturity financial assets are measured at amortised cost. All other financial assets are measured at fair value (with limited exceptions).

Changes in the fair value of available-for-sale assets are recognised directly in equity.

Financial liabilities, other than those held for trading purposes or designated as at fair value through profit or loss, are measured at amortised cost.

Any financial instrument may be designated on initial recognition as one measured at fair value through profit or loss.

Evaluating whether a transfer of a financial asset qualifies for derecognition requires considering:

- Whether substantive risks and rewards are transferred. If substantially all the risks and rewards are transferred, then a financial asset is derecognised. If substantially all the risks and rewards are retained, then the asset is not derecognised.
- If some but not substantially all of the risks and rewards are transferred, then an asset is derecognised if control of the asset is transferred.
- If control is not transferred, then the entity continues to recognise the transferred asset to the extent of its continuing involvement in the asset.

Whenever there is objective evidence that a financial asset measured at amortised cost, or at fair value with changes recognised in equity, may be impaired, the amount of any impairment loss must be calculated and recognised in profit or loss.
3.6 **Financial instruments**  
*(AAA, FAR 12, RR 8, URA 11, BFN R7)*

SGAAP does not have a comprehensive standard on accounting for financial instruments.

If the AAA option (see below) is not used, the following applies:

Unlike IFRSs, all derivatives other than those designated as hedges, are recognised on the balance sheet and measured at the lower of cost or net realisable value. The lower of cost or net realisable value concept may be applied on a portfolio basis for marketable securities.

Like IFRSs, the valuation of financial instruments depends on their classification. However, SGAAP generally uses different classification and measurement guidance. Investments held for the long-term (“long-term investments”), provided they do not have a limited useful life, are treated as fixed assets. Otherwise, investments are treated as current assets (“short-term investments”).

Like IFRSs, loans and receivables that are classified as long-term investments are measured at amortised cost.

Unlike IFRSs, financial assets classified as short-term investments should be measured at the lower of amortised cost or net realisable value.

Like IFRSs, financial liabilities generally are measured at amortised cost.

Unlike IFRSs, it is not possible to designate any financial instrument on initial recognition as one measured at fair value through profit or loss.

Unlike IFRSs, SGAAP does not address explicitly the derecognition of financial assets. Practice under SGAAP is based on the principles of transfer of risk and rewards, and differences may result in practice.
Generally, derivatives embedded in host contracts must be accounted for as stand-alone derivatives. This does not apply when the host contract is measured at fair value with changes in fair value recognised in profit or loss or for embedded derivatives that are closely related, in economic terms, to the host contract.

Hedge accounting is permitted only when strict documentation and effectiveness testing requirements are met.

The type of hedge accounting applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign operation.
Unlike IFRSs, long-term financial instruments are carried at amortised cost adjusted for any permanent diminution in value, but in certain situations may be written down if the diminution is considered to be temporary. Like IFRSs, any impairment loss must be recognised in profit or loss.

Unlike IFRSs, there are no specific requirements relating to embedded derivatives. Therefore, embedded derivatives are not identified and separately accounted for in practice.

Unlike IFRSs, guidance on hedge accounting is limited and there are no explicit rules for documentation and testing of hedge effectiveness. Therefore, some hedges that qualify for hedge accounting under SGAAP may not qualify under IFRSs.

Like IFRSs, the type of hedge accounting applied depends on whether the hedged exposure is a fair value exposure, a cash flow exposure, or a currency exposure on a net investment in a foreign operation. However, hedge accounting is applied differently under SGAAP and hedges of future transactions are generally off-balance until the hedged transaction occurs.

The AAA includes an option but not a requirement to measure derivatives and certain financial instruments at fair value. If the option is chosen, then it must be applied to all financial instruments covered by the option. Specifically:

- the option applies to derivatives and other financial instruments except held-to-maturity investments, loans and receivables originated by the entity (unless held for trading), interests in subsidiaries, associates and joint ventures, liabilities (unless held for trading or a derivative), and own equity instruments;
- fair value adjustments on those financial instruments are recognised in profit or loss unless hedge accounting is applied;
- alternatively, fair value adjustments on financial assets (unless held for trading or a derivative) are recognised in equity and available for recycling; and
- when hedge accounting is applied, the change in fair value is recognised in equity and available for recycling.
3.7 Inventories

(INAS 2)

Inventories generally are measured at the lower of cost and net realisable value.

Cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.

The cost of inventory is recognised as an expense when the inventory is sold.

The amount to recognise as an expense must be determined using the specific identification, FIFO (first-in, first-out) or weighted average method. The use of the LIFO (last-in, first-out) method is prohibited.

Other cost formulas, such as the standard cost or retail method, may be used when the results approximate actual cost.

If the net realisable value of an item that has been previously written down subsequently increases, then the write-down is reversed.
3.7 Inventories

(AAA, RR 2:02, URA 14)

Like IFRSs, inventories generally are measured at the lower of cost and net realisable value.

Like IFRSs, cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.

Like IFRSs, the cost of inventory is recognised as an expense when the inventory is sold.

Like IFRSs, the amount recognised as an expense must be determined using the specific identification, FIFO or weighted average method. Like IFRSs, the use of the LIFO method is prohibited.

Like IFRSs, other cost formulas, such as the standard cost or retail method, may be used when the results approximate actual cost.

Like IFRSs, if the net realisable value of an item that has been previously written down subsequently increases, then the write-down is reversed through profit or loss.
3.8 Biological assets

(IAS 41)

Biological assets are measured at fair value unless it is not possible to measure fair value reliably, in which case they are measured at cost.

All gains and losses from changes in fair value are recognised in profit or loss.
3.8 Biological assets

(AAA, RR 2:02, RR 12)

Unlike IFRSs, SGAAP does not specifically address accounting for biological assets and biological assets may not be measured at fair value.

Producers’ inventories of agriculture and forest products are accounted for as inventory (see 3.7). Forest and forestry land are accounted for as property, plant and equipment (see 3.2).
3.9 Impairment  

(IAS 36, IAS 38, IFRS 3)

IAS 36 covers impairment of property, plant and equipment, goodwill, intangible assets and investments in subsidiaries, joint ventures and associates.

Detailed impairment testing generally is required only when there is an indication of impairment.

Annual impairment testing is required for goodwill and intangible assets that either are not yet available for use or that have an indefinite useful life. This impairment test may be performed at any time during an annual reporting period, provided it is performed at the same point each year.

An impairment loss is recognised if an asset’s or cash-generating unit’s (CGUs) carrying amount exceeds the greater of its fair value less costs to sell and value in use, which is based on the net present value of future cash flows.

Estimates of future cash flows used in the value in use calculation are specific to the entity, and may not be the same as the market’s assessment.

The discount rate used in the value in use calculation is a pre-tax rate that reflects the risks specific to the asset.

An impairment loss for a CGU is allocated first by writing down goodwill, then pro-rata to other assets in the CGU.

An impairment loss on a revalued asset is charged directly to the revaluation reserve to the extent that it reverses a previous revaluation surplus relating to the same asset. Any excess is recognised in profit or loss.

Reversals of impairment are recognised, other than for impairments of goodwill.
3.9 Impairment

(AAA, RR 17, URA 22)

Like IFRSs, the impairment standard deals with impairment of property, plant and equipment, goodwill, intangible assets and investments in subsidiaries, joint ventures and associates.

Like IFRSs, detailed impairment testing generally is required only when there is an indication of impairment.

Like IFRSs, annual impairment testing is required for intangible assets not yet available for use. Goodwill and intangibles with useful lives exceeding 20 years must be tested annually for impairment. Unlike IFRSs, the annual impairment tests must be performed at the financial year-end.

Like IFRSs, an impairment loss is recognised if an asset’s or CGUs carrying amount exceeds the greater of its fair value less costs to sell and value in use, which is based on the net present value of future cash flows.

Like IFRSs, estimates of future cash flows used in the value in use calculation are specific to the entity, and may not be the same as the market’s assessment.

Like IFRSs, the discount rate used in the value in use calculation is a pre-tax rate that reflects the risks specific to the asset.

Like IFRSs, an impairment loss for a CGU is allocated first by writing down goodwill, then pro rata to other assets in the CGU.

Unlike IFRSs, an impairment loss is charged to the profit or loss even when it relates to a previously revalued asset. If a previously revalued asset is impaired, then the revaluation surplus relating to that asset is transferred from revaluation reserve to retained earnings.
Like IFRSs, reversals of impairment losses are recognised. However, unlike IFRSs, in exceptional circumstances this includes reversals of impairment losses on goodwill.
3.10 Equity

**IAS 1, IAS 27, IAS 32, IAS 39, IFRIC 2**

Instruments are classified as equity or liabilities in accordance with their economic substance.

IFRSs generally contain little guidance on recognition and measurement of equity. IFRS 2 specifies recognition and measurement requirements for share-based payments (see 4.5).

Incremental costs that are attributable directly to issuing or buying back own equity instruments are recognised directly in equity, net of the related tax.

Treasury shares must be reported as a deduction from equity.

Gains and losses on transactions in own equity instruments are reported directly in equity, not in profit or loss.

Dividends and other distributions to the holders of equity instruments (in their capacity as owners) are recognised directly in equity.

Minority interests are classified within equity but separately from parent shareholders’ equity (see 2.5).
3.10 Equity

(AAA, CA, RR 1:00, RR 20, RR 27, URA 24, URA 25)

Unlike IFRSs, AAA does not require or allow items issued in the form of shares (e.g., mandatory redeemable preference shares) to be classified as liabilities.

Like IFRSs, SGAAP contains little guidance on recognition and measurement of equity, and differences may result in practice.

Like IFRSs, incremental costs that are attributable directly issuing or buying back own equity instruments are recognised directly in equity, net of the related tax.

Like IFRSs, treasury shares must be reported as a deduction from equity.

Like IFRSs, gains and losses on transactions in own equity instruments are reported directly in equity, not in profit or loss.

Like IFRSs, dividends and other distributions to the holders of equity instruments (in their capacity as owners) are recognised directly in equity.

Minority interests are classified separately from parent shareholders’ equity and liabilities and not within equity as in IFRSs (see 2.5).
3.11 Provisions

(AAS 16, IAS 37, IFRIC 1, IFRIC 3, IFRIC 5)

A provision is recognised on the basis of a legal or constructive obligation, if there is a probable outflow of resources and the amount can be estimated reliably.

No provision may be recognised for future operating losses.

A provision is measured at the best estimate of the anticipated outflow of resources.

Provisions are discounted if the effect of discounting is material.

A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.

Provisions for repairs, maintenance or self-insurance are prohibited.

A provision is recognised for a contract that is onerous (i.e., one in which the costs of meeting the obligations under the contract exceed the benefits to be derived).
3.11 Provisions
(AAA, RR 12, RR 16, URA 31)

Like IFRSs, a provision is recognised on the basis of a legal or constructive obligation if there is a probable outflow of resources and the amount can be estimated reliably.

Like IFRSs, no provisions may be made for operating losses.

Like IFRSs, a provision is measured at the best estimate of the anticipated outflow of resources.

Like IFRSs, provisions are discounted if the effect of discounting is material.

Like IFRSs, a provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.

Like IFRSs, provisions for repairs and maintenance or self-insurance are prohibited.

Like IFRSs, a provision is recognised for a contract that is onerous (i.e., one in which the costs of meeting the obligations under the contract exceed the benefits to be derived).
3.12 Deferred tax

(IA 12, SIC–21, SIC–25)

Deferred tax liabilities and assets are recognised for the estimated future tax effects of temporary differences and tax loss carry-forwards.

A temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

A deferred tax liability (asset) is recognised unless it arises from:

- the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; or
- the initial recognition of goodwill; or
- post-acquisition adjustments of goodwill for which amortisation is not tax deductible.

A deferred tax liability is recognised for post-acquisition adjustments of goodwill for which amortisation is tax deductible.

Deferred tax assets and liabilities are not recognised in respect of investments in subsidiaries, associates and joint ventures if certain conditions are met.

A deferred tax asset is recognised to the extent that it is probable that it can be utilised against future profits.

The measurement of deferred tax is based on the expected manner of settlement (liability) or recovery (asset).

Deferred tax is recognised on an undiscounted basis.

Deferred tax is classified as non-current in a classified balance sheet.

Deferred tax relating to items charged or credited directly to equity is itself charged or credited directly to equity.
3.12 Deferred tax

(AAA, RR 9, URA 29, URA 33)

Like IFRSs, deferred tax liabilities and assets are recognised for the estimated future tax effects of temporary differences and tax loss carry-forwards.

Like IFRSs, a temporary difference is the difference between the tax base of an asset or liability and its carrying amount in the financial statements.

Like IFRSs, a deferred tax liability (asset) is recognised unless it arises from:

- the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; or
- the initial recognition of goodwill; or
- post-acquisition adjustments of goodwill for which amortisation is not tax deductible.

Like IFRSs, a deferred tax liability is recognised for post-acquisition adjustments of goodwill for which amortisation is tax deductible.

Like IFRSs, deferred tax assets and liabilities are not recognised in respect of investments in subsidiaries, associates and joint ventures if certain conditions are met. These conditions are the same as those under IFRSs.

Like IFRSs, a deferred tax asset is recognised to the extent that it is probable that it can be utilised against future profits.

Like IFRSs, the measurement of deferred tax is based on the expected manner of settlement (liability) or recovery (asset).

Like IFRSs, deferred tax generally is measured on an undiscounted basis. But unlike IFRSs, it is possible in certain acquisition transactions to measure deferred tax liabilities and assets on a discounted basis.
Deferred tax is measured based on enacted or substantially enacted tax rates.

Taxes payable on distributions are recognised at the same time as the distribution.
Like IFRSs, deferred tax is classified as non-current in the balance sheet.

Like IFRSs, deferred tax relating to items charged or credited directly to equity is itself charged or credited directly to equity.

Like IFRSs, deferred tax is measured based on enacted or substantially enacted tax rates.

Unlike IFRSs, there is no guidance on when, or how, an entity should account for the tax consequences of dividends and other distributions by the reporting entity, and differences may result in practice.
3.13 Contingent assets and liabilities

(IA 37, IFRS 3)

Contingent liabilities are obligations that are generally not recognised in the balance sheet due to uncertainties about either the probability of outflows of resources or about the amount of the outflows or possible obligations when the existence of an obligation is uncertain.

Details of contingent liabilities are disclosed in the notes to the financial statements, unless the probability of an outflow is remote or in rare cases when disclosure could seriously prejudice the entity’s position in a dispute with another party.

Contingent assets are possible assets whose existence is uncertain.

Contingent assets are not recognised in the balance sheet unless their realisation is virtually certain. If their existence is probable, details are disclosed in the notes to the financial statements.

Contingent liabilities assumed in a business combination are recognised if their fair value is reliably measurable (see 2.6).
3.13 Contingent assets and liabilities

(AAA, RR 16)

Like IFRSs, contingent liabilities are obligations that generally are not recognised in the balance sheet due to uncertainties about either the probability of outflows of resources or about the amount of the outflows or possible obligations when the existence of an obligation is uncertain.

Like IFRSs, details of contingent liabilities are disclosed unless the probability of an outflow is remote, or in rare cases when disclosure could seriously prejudice the entity’s position in a dispute with another party.

Like IFRSs, contingent assets are possible assets whose existence is uncertain. Like IFRSs, contingent assets are not recognised in the balance sheet unless their realisation is virtually certain. If their existence is probable, details are disclosed in the notes to the financial statements.

Unlike IFRSs, contingent liabilities assumed in a business combination are not recognised (see 2.6).
4. Specific income statement items

4.1 General

(IA 1, IAS 8)

An analysis of expenses is required, either by their nature or by function, on the face of the income statement or in the notes.

Items of income and expense are not offset unless required or permitted by another IFRS or when the amounts relate to similar transactions or events that are not material.
4. Specific income statement items

4.1 General

(AAA, RR 22, FAR’s guidelines)

Like IFRSs, under SGAAP an analysis of expenses is required either by their nature or by function. Unlike IFRSs, the requirements at both formats are mandated under the AAA.

Like IFRSs, items of income and expense are not offset unless required or permitted by another standard or when the amounts relate to similar transactions or events that are not material.
4.2 Revenue
(Framework, IAS 1, IAS 11, IAS 17, IAS 18, SIC–27, SIC–31)

Revenue is recognised only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue includes the gross inflows of economic benefits received by an entity on its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent.

Revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or managerial involvement in the goods.

Revenue from rendering of services and construction contracts is recognised in the period that the service is rendered.

Royalties are recognised on an accrual basis, generally on a straight-line basis over the period of the agreement.

Revenue recognition does not require cash consideration. However, when goods or services exchanged are similar in nature and value, the transaction does not generate revenue.

There is no specific guidance on software revenue recognition.
4.2 Revenue

(Framework, RR 10, RR 11, RR 22, URA 34, URA 38)

Like IFRSs, revenue is recognised only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Like IFRSs, revenue includes the gross inflows of economic benefits received by an entity on its own account. In an agency relationship, amounts collected on behalf of the principal are not recognised as revenue by the agent.

Like IFRSs, revenue from the sale of goods is recognised when the entity has transferred the significant risks and rewards of ownership to the buyer and it no longer retains control or managerial involvement in the goods.

Like IFRSs, revenue from rendering of services and construction contracts is recognised in the period that the service is rendered.

Like IFRSs, royalties are recognised on an accrual basis, generally on a straight-line basis over the period of the agreement.

Like IFRSs, revenue recognition does not require cash consideration. Like IFRSs, when goods or services exchanged are similar in nature and value, the transaction does not generate revenue.

Unlike IFRSs, specific guidance on software revenue recognition is provided in the Stockholm Stock Exchange’s listing rules. These rules are based on the U.S. Statement of Position (SOP) 97-2 Software Revenue Recognition.
4.3 Government grants

(IA 20, IAS 41, SIC–10, IFRIC 3)

Government grants relating to biological assets are recognised as income when they are unconditionally receivable.

Other government grants are recognised as income so as to match the costs that they are intended to compensate.

Government grants that relate to the acquisition of an asset may be recognised either as a reduction in the cost of the asset or as deferred income that is amortised as the related asset is depreciated or amortised.
4.3 Government grants
(RR 15, RR 28, URA 19)

Unlike IFRSs, there are no special requirements for government grants relating to biological assets. Government grants relating to biological assets are accounted for under the general requirements for government grants.

Like IFRSs, government grants are recognised as income so as to match the costs that they are intended to compensate.

Like IFRSs, government grants that relate to the acquisition of an asset may be recognised either as a reduction in the cost of the asset or as deferred income that is amortised as the related asset is depreciated or amortised.
4.4 Employee benefits

(IA 19)

Currently effective

IFRSs specify accounting requirements for all types of employee benefits, and not just pensions.

Liabilities for employee benefits are recognised on the basis of a legal or constructive obligation.

Liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are defined benefit plans.

Contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.

A liability is recognised for an employer’s obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected unit credit method.

The fair value of any qualifying plan assets of defined benefit plans including, qualifying insurance policies are offset against the obligation.

Actuarial gains and losses of defined benefit plans that exceed a “corridor” are required to be recognised over the average remaining working lives of employees in the plan. Faster recognition is allowed (see below).

Liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately.

Liabilities and expenses for unvested past service costs under a defined benefit plan are recognised over the vesting period.
4.4 Employee benefits  
(RR 29, URA 41, URA 42, URA 43)

**Currently effective**

Like IFRSs, SGAAP specifies accounting requirements for all types of employee benefits, and not just pensions.

Like IFRSs, liabilities for employee benefits are recognised on the basis of a legal or constructive obligation.

Like IFRSs, liabilities and expenses for employee benefits generally are recognised in the period in which the services are rendered.

Like IFRSs, a defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no further obligations. All other post-employment plans are defined benefit plans.

Like IFRSs, contributions to a defined contribution plan are expensed as the obligation to make the payments is incurred.

Like IFRSs, a liability is recognised for an employer’s obligation under a defined benefit plan. The liability and expense are measured actuarially using the projected unit credit method.

Like IFRSs, the fair value of any qualifying plan assets of defined benefit plans, including qualifying insurance policies are offset against the obligation.

Like IFRSs, actuarial gains and losses of defined benefit plans that exceed a “corridor” are required to be recognised over the average remaining working lives of employees in the plan. Like IFRSs, faster recognition is allowed.

Like IFRSs, liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately.
If a defined benefit plan has assets in excess of the obligation, then the amount of any net asset recognised is limited to available future benefits from the plan and unrecognised actuarial losses and past service costs.

If insufficient information is available for a multi-employer defined benefit plan to be accounted for as a defined benefit plan, then it is treated as a defined contribution plan and additional disclosures required (see below).

The expense for long-term employee benefits is accrued over the service period.

Redundancy costs are not recognised until the redundancy has been communicated to affected employees.

**Forthcoming requirements**
An entity may elect to recognise all actuarial gains and losses immediately directly in equity.

When participation in a multi-employer defined benefit plan is accounted for as a defined contribution plan but there is a contractual agreement determining how the surplus or deficit will be allocated, the participant must recognise an asset or liability for its share of the surplus or deficit.

Where entities participate in a group defined benefit plan and there is a contractual agreement or stated policy for allocating the cost, then each entity should recognise the cost allocated to it.
Like IFRSs, liabilities and expenses for unvested past service costs under a defined benefit plan are recognised over the vesting period.

Like IFRSs, if a defined benefit plan has assets in excess of the obligation, then the amount of any net asset recognised is limited to available future benefits from the plan and unrecognised actuarial losses and past service costs.

Like IFRSs, if insufficient information is available for a multi-employer defined benefit plan to be accounted for as a defined benefit plan, then it is treated as a defined contribution plan and additional disclosures required.

Like IFRSs, the expense for long-term employee benefits is accrued over the service period.

Like IFRSs, redundancy costs are not recognised until the redundancy has been communicated to affected employees.
4.5 Share-based payments
(IFRS 2)

Goods or services received in a share-based payment transaction should be measured at fair value.

Goods should be recognised when they are obtained and services recognised over the period that they are received.

Share-based payments to non-employees generally are measured based on the fair value of the goods or services received.

Equity-settled grants to employees generally are measured based on the fair value of the instruments (e.g., options) issued at the grant date.

Equity-settled grants are not remeasured for subsequent changes in value.

Estimates of the number of equity-settled instruments that vest are adjusted to the actual number that vest unless forfeitures are due to market-based conditions.

Cash-settled transactions are remeasured at each balance sheet date and at the settlement date.

For equity-settled transactions an entity recognises a corresponding increase in equity.

For cash-settled transactions an entity recognises the liability incurred.
4.5 Share-based payments
(RR 27, RR 29, URA 2, URA 41)

SGAAP does not contain a standard equivalent to IFRS 2.

SGAAP addresses only share appreciation rights (SARs) and requires entities to recognize a liability and expense for the fair value of any cash settled SARs granted to employees. These amounts are remeasured through profit or loss so that the amount expensed equals the amount paid on settlement date.

Unlike IFRSs, SGAAP does not contain recognition and measurement requirements for equity-settled share-based payments to employees. Instead, entities are required to disclose a general description of the nature and terms of equity compensation plans, the number and terms of the entity’s own equity financial instruments held by employees and details of options exercised during the period.
4.6 Financial income and expense
(IAS 18, IAS 23, IAS 39)

Interest income and expense is calculated using the effective interest rate method.

Dividends on shares classified as liabilities are reported as a financial expense and not a dividend distribution.

Incremental transaction costs directly related to raising finance or acquiring a financial asset are included in the initial measurement of the instrument unless the instrument is categorised as a financial asset or liability at fair value through profit or loss.

Interest generally is expensed as incurred. Interest related to qualifying assets may be capitalised if certain conditions are met.

Interest on both general borrowings and on specific borrowings is eligible for capitalisation. The amount capitalised is net of investment income on the temporary investment of specific borrowings.
4.6 Financial income and expense

(AAA, RR 11, RR 21, RR 29, URA 15)

Like IFRSs, interest income and expense is calculated using the effective interest rate method.

Unlike IFRSs, under SGAAP issued shares are always classified as equity and a distribution is consequently reported as a distribution of equity.

Unlike IFRSs, incremental transaction costs directly related to raising finance or acquiring a financial asset always are included in the initial measurement of the instrument.

Like IFRSs, interest generally is expensed as incurred. Interest relating to qualifying assets may be capitalised if certain conditions are met. These conditions are the same as IFRSs.

Like IFRSs, interest on both general borrowings and on specific borrowings is eligible for capitalisation. The amount capitalised is net of investment income on the temporary investment of specific borrowings.
4.7 Income tax (current tax)

(IAS 12)

The total income tax expense recognised in profit or loss is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax amounts recognised directly in equity or arising from a business combination that is an acquisition.

Current tax represents the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

The measurement of current tax is based on rates that are enacted or substantively enacted at the balance sheet date.
4.7  Income tax (current tax)

(RR 9)

Like IFRSs, the total income tax expense recognised in profit or loss is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax amounts recognised directly in equity or arising from a business combination that is an acquisition.

Like IFRSs, current tax represents the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Like IFRSs, the measurement of current tax is based on rates that are enacted or substantively enacted at the balance sheet date.
4.8 Unusual or exceptional items

(IAS 1)

Significant items should be presented separately either in the notes or, when necessary, on the face of the income statement.

Presentation or disclosure of items of income and expense net of tax or characterised as “extraordinary items” in the income statement or notes is prohibited.
4.8 Unusual or exceptional items

(AAA, RR 4, RR 9)

Like IFRSs, significant items (under SGAAP these are “items affecting comparability”) should be disclosed in the notes or on the face of the income statement. Unlike IFRSs, significant events also must be discussed and analysed in the directors’ report.

Unlike IFRSs, items may be classified as extraordinary in certain circumstances. Extraordinary items must be presented separately as extraordinary income and extraordinary expenses in the income statement and require disclosure in the notes. Events or transactions are expected to give rise to extraordinary items only rarely. Like IFRSs, items other than extraordinary items may not be presented net of tax.
5. Special topics

5.1 Leases

(IAS 17, SIC–15, SIC–27, IFRIC 4)

A lease is classified as either a finance lease or an operating lease.

Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee.

Under a finance lease, the lessor recognises a finance lease receivable and the lessee recognises the leased asset and a liability for future lease payments.

Under an operating lease, both parties treat the lease as an executory contract. The lease does not result in derecognition of the asset by the lessor and the lessee recognises an expense for the lease payments over the lease term.

A lessee may classify a property interest held under an operating lease as an investment property. If this is done, that interest is accounted for as if it were a finance lease.

Lessors and lessees recognise incentives granted under an operating lease as a reduction in lease rental income / expense over the lease term.

A lease of land generally will be classified as an operating lease unless title transfers to the lessee.

A single lease of land and a building should be treated as separate leases of land and of the building and the two leases may be classified differently.

Immediate gain recognition from the sale and leaseback of an asset is dependent upon whether the sale takes place at fair value or not, and upon the classification of the leaseback as an operating lease or a finance lease.
5. Special topics

5.1 Leases

(RR 6:99, URA 23, URA 34)

Like IFRSs, a lease is classified as either a finance lease or an operating lease. However, SGAAP is operative for transactions in financial periods beginning on or after 1 January 1997 and finance leases entered into before that date can still be reported as operating leases.

Like IFRSs, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee.

Like IFRSs, under a finance lease, the lessor recognises a finance lease receivable and the lessee recognises the leased asset and a liability for future lease payments.

Like IFRSs, under an operating lease, both parties treat the lease as an executory contract. The lease does not result in derecognition of the asset by the lessor and the lessee recognises an expense for the lease payments over the lease term.

Unlike IFRSs, SGAAP does not permit a lessee to classify a property interest held under an operating lease as an investment property and account for it as a finance lease.

Like IFRSs, lessors and lessees recognise incentives granted under an operating lease as a reduction in lease rental income / expense over the lease term.

Like IFRSs, a lease of land generally will be classified as an operating lease unless title transfers to the lessee.
A series of linked transactions in the legal form of a lease should be accounted for based on the substance of the arrangement; the substance may be that the series of transactions is not a lease.

Special requirements apply to manufacturer or dealer lessors granting finance leases.
Unlike IFRSs, there is no requirement to consider the two elements of a single lease of land and building separately. Such a lease may be classified in its entirety as an operating lease because of the land element.

Like IFRSs, the immediate gain recognition from the sale and leaseback of an asset is dependent upon whether the sale takes place at fair value or not, and upon the classification of the leaseback as an operating lease or a finance lease.

Like IFRSs, a series of linked transactions in the legal form of a lease is accounted for based on the substance of the arrangement; the substance may be that the series of transactions is not a lease.

Like IFRSs, special requirements apply to manufacturer or dealer lessors granting finance leases. These requirements are the same as those under IFRS.
5.2 Segment reporting  
(IAS 14, IAS 36)

Segmental disclosures are required for entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities.

Information should be reported for both business segments and geographical segments.

One basis of segmentation is primary and the other is secondary, and less information is required to be disclosed for secondary segments.

The assessment of which is the primary segment reporting format is based on the dominant source and nature of an entity’s risks and returns as well as the entity’s internal reporting structure.

The amounts disclosed are based on amounts in the financial statements.

Comparative information normally is restated for changes in reportable segments.
5.2 Segment reporting

(AAA, RR 25)

Like IFRSs, segmental disclosures are required for entities whose equity or debt securities are publicly traded, or that are in the process of issuing such securities.

Like IFRSs, information should be reported for both business segments and geographical segments.

Like IFRSs, one basis of segmentation is primary and the other is secondary, and less information is required to be disclosed for secondary segments.

Like IFRSs, the assessment of which is the primary segment reporting format is based on the dominant source and nature of an entity’s risks and returns as well as the entity’s internal reporting structure.

Like IFRSs, the amounts disclosed are based on amounts in the financial statements.

Like IFRSs, comparative information normally is restated for changes in reportable segments.
5.3 Earnings per share

(IA 33)

Basic and diluted earnings per share (EPS) for both continuing and total operations are presented on the face of the income statement, with equal prominence, for each class of ordinary shares, for all entities whose equity securities are traded, or that are in the process of issuing such securities.

Separate EPS data is disclosed for discontinued operations, either on the face of the income statement or in the notes to the financial statements.

Basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

To calculate diluted EPS, profit or loss attributable to ordinary equity holders, and the weighted number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares.

Contingently issuable ordinary shares are included in basic EPS from the date when all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS to the extent that the conditions are met at the reporting date.

When a contract may be settled in either cash or shares it is treated as a potential ordinary share.

For diluted EPS, dilutive potential ordinary shares are determined independently for each period presented.

When the number of ordinary shares outstanding changes, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all periods presented is adjusted.
5.3 Earnings per share  
(RR 18, URA 32)

Like IFRSs, basic and diluted EPS for total operations are presented on the face of the income statement for each class of ordinary share, with equal prominence, for each class of ordinary shares.

Unlike IFRSs, there is no requirement to disclose separate EPS amounts for continuing and for discontinuing operations either in the income statement or in the notes to the financial statements.

Like IFRSs, basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

Like IFRSs, to calculate diluted EPS, profit or loss attributable to ordinary equity holders, and the weighted number of shares outstanding, are adjusted for the effects of all dilutive potential ordinary shares.

Like IFRSs, contingently issuable ordinary shares are included in basic EPS from the date when all necessary conditions are satisfied and, when not yet satisfied, in diluted EPS to the extent that the conditions are met at the reporting date.

Like IFRSs, when a contract may be settled in either cash or shares, it is treated as a potential ordinary share.

Like IFRSs, for diluted EPS, dilutive potential ordinary shares are determined independently for each period presented.

Like IFRSs, when the number of ordinary shares outstanding changes, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all periods presented is adjusted.
5.4 Non-current assets held for sale and discontinued operations

(IFRS 5)

Non-current assets (and some groups of assets and liabilities known as disposal groups) are classified as held for sale when their carrying amounts will be recovered principally through sale. Comparatives are not restated when an asset or disposal group is classified as held for sale.

Non-current assets (and disposal groups) held for sale generally are measured at the lower of carrying amount and fair value less costs to sell and are disclosed separately on the face of the balance sheet.

Assets classified as held for sale are not amortised or depreciated.

An operation is discontinued when it is disposed of or is classified as held for sale, whichever is earlier. Comparative income statement and cash flow information is represented based on the classification of operations (as continuing or discontinued) at the current reporting date.

Generally, the separate presentation of discontinued operations is limited to those operations that are a separate major line of business or geographical area and controlled entities acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement. An analysis of the results is presented either on the face of the income statement or in the notes.
5.4 Non-current assets held for sale and discontinued operations
(RR 16, RR 17, RR 19)

Unlike IFRSs, under SGAAP there is no concept of assets “held for sale” or disposal groups. Non-current assets are not classified as held for sale and disclosed separately on the face of the balance sheet even if their carrying amounts will be recovered principally through sale.

Unlike IFRSs, there is no requirement for non-current assets that are to be sold to be measured at the lower of carrying amount and fair value less costs to sell. However, the planned sale of an asset may be considered an indicator of impairment and may require calculation of the recoverable amount of the asset (see 3.9).

Unlike IFRSs, amortisation and depreciation of assets that are to be sold continues until the asset is sold.

Unlike IFRSs, an operation is classified as discontinuing when there is a binding sale agreement or an announced plan for discontinuance, whichever is earlier. Comparative information is restated to segregate continuing and discontinuing assets, liabilities, income, expenses and cash flows.

Like IFRSs, the separate presentation of discontinuing operations is limited to those operations that are a separate major line of business or geographical area and that can be distinguished operationally and for financial reporting purposes. Unlike IFRSs, a controlled entity acquired exclusively with a view to sale is excluded from consolidation and therefore is not presented as discontinuing (see 2.5).

Unlike IFRSs, SGAAP requires disclosure of operating revenue and expenses, total assets and total liabilities, net cash flow from operations, investing and financing activities for each discontinuing operation. Such information may be presented either in the notes to the financial statements or on the face of the financial statements.
5.5 Related party disclosures

(IAS 24)

Related party relationships include those between entities when direct or indirect control exists, for example, subsidiaries, parents and entities under common control. Investments involving joint control or significant influence also create related party relationships.

Key management, including directors and their close family members also are related parties.

There are no special recognition or measurement requirements for related party transactions.

Disclosure of related party relationships between parents and subsidiaries is required, even if there have not been any transactions between them.

Comprehensive disclosures of related party transactions are required for each category of related party relationship.
5.5 Related party disclosures

Like IFRSs, SGAAP identifies related party relationships, some of which are the same as those under IFRSs, including:

- those between entities when direct or indirect control exists, for example, subsidiaries, parents and entities under common control; and
- if the entity has joint control or significant influence over a party that party is a related party to the entity.

However, SGAAP defines related parties more narrowly than IFRSs in some areas, for example, a party with joint control or significant influence over the entity is not a related party to the entity.

Like IFRSs, key management, including directors and their close family members also are related parties.

Like IFRSs, there are no special recognition or measurement requirements for related party transactions.

Like IFRSs, disclosure of related party relationships between parents and subsidiaries is required, even if there have not been any transactions between them.

Like IFRSs, disclosures of related party transactions are required for each category of related party relationship. However, the disclosure requirements are not as comprehensive as those under IFRSs.
5.6 Financial instruments: presentation and disclosure

(IAAS 32, IFRIC 2)

An instrument is a liability if the issuer could be obliged to settle in cash or another financial instrument. This includes “puttable” shares including mutual fund units.

An instrument is a liability if it will or may be settled in a variable number of the entity’s own equity instruments (e.g., equal to a specified value).

Preference shares and similar instruments must be evaluated to determine whether they have the characteristics of a liability. Such characteristics will lead to classification of these instruments as debt.

Compound instruments that have both liability and equity characteristics are split into these components. Instruments may have to be classified as liabilities even if they are issued in the form of shares.

Qualitative disclosures are required in respect of financial risks and management’s approach to managing these risks.

The terms and conditions of, and accounting policies applied for, all financial instruments must be disclosed.

The fair value of instruments not carried at fair value in the financial statements must be disclosed. In addition, disclosure is required about methods and significant assumptions used for determining fair value.

The level of detail of the required disclosures will vary depending on the nature and extent of financial instruments.
5.6 Financial instruments: presentation and disclosure
(RR 8, RR 27, URA 41)

SGAAP has a less specific definition of equity than IFRSs and does not have the extensive disclosure requirements regarding hedge accounting.

Like IFRSs, an instrument is a liability if the issuer could be obliged to settle in cash or another financial instrument. However, unlike IFRSs, SGAAP does not include classification requirements for “puttable” shares.

Like IFRSs, an instrument is a liability if it will or may be settled in a variable number of the entity’s own equity instruments.

Unlike IFRSs, preference shares are treated as equity.

Like IFRSs, compound instruments that have both liability and equity characteristics are split into these components. Unlike IFRSs, instruments cannot be classified as liabilities if they are issued in the form of shares.

Like IFRSs, qualitative disclosures are required in respect of financial risks and management’s approach to managing these risks.

Like IFRSs, the terms and conditions of, and accounting policies applied for, all financial instruments must be disclosed.

Unlike IFRSs, the fair value of all financial instruments must be disclosed. In addition, disclosure is required about methods and significant assumptions used for determining fair value.

Like IFRSs, the level of detail of the required disclosures will vary depending on the nature and extent of financial instruments.
5.7 Non-monetary transactions

(IAS 16, IAS 18, IAS 38, SIC–13, SIC–31)

Generally, exchanges of assets are measured at fair value and result in the recognition of gains or losses but not revenue.

Exchanged assets are recognised based on historical cost if the exchange lacks commercial substance or the fair value cannot be measured reliably.

Donated assets may be accounted for in a manner similar to government grants, unless the transfer is, in substance, an equity contribution.
5.7 Non-monetary transactions
(RR 11, RR 12, RR 15, URA 21, URA 38)

Like IFRSs, exchanges of dissimilar assets are measured at fair value and result in the recognition of gain or losses or revenue depending on the nature of the asset. Unlike IFRSs, exchanges of non-monetary assets of a similar nature and value are based on historical cost and do not result in the recognition of any gains or losses.

Similar to IFRSs, exchanges of dissimilar assets are recognised based on historical cost if the exchange lacks commercial substance or the fair value cannot be measured reliably.

Like IFRSs, donated assets may be accounted for in a manner similar to government grants, unless the transfer is, in substance, an equity contribution.
5.8 Accompanying financial and other information
(IAS 1)

An entity considers its particular legal or securities exchange listing requirements in assessing what information is included in addition to that required under IFRSs.

Providing a financial and operational review is encouraged, but not required.
5.8 Accompanying financial and other information

(AAA, RR 22)

Like IFRSs, an entity considers its particular legal or securities exchange listing requirements in assessing what information is included in addition to that required under SGAAP.

Unlike IFRSs, a financial and operational review (OFR) by management is mandated in SGAAP and is included in the directors’ report forming part of the annual report.
5.9 Interim financial reporting  
(IAS 34)

Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

Condensed interim financial statements contain, as a minimum, condensed balance sheets, condensed income statements, condensed cash flow statements, condensed statements of changes in equity and selected explanatory notes.

Items, other than income tax, generally are recognised and measured as if the interim period were a discrete period.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

Normally, the accounting policies applied in the interim financial statements are those that will be applied in the next annual financial statements.
5.9 Interim financial reporting  
(AAA, RR 20)

Like IFRSs, interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year.

Like IFRSs, condensed interim financial statements contain, as a minimum, condensed balance sheets, condensed income statements, condensed cash flow statements, condensed statements of changes in equity and selected explanatory notes.

Like IFRSs, items, other than income tax, generally are recognised and measured as if the interim period were a discrete period.

Like IFRSs, income tax expense for an interim period is based on an estimated average annual effective income tax rate.

Like IFRSs, normally the accounting policies applied in the interim financial statements are those that will be applied in the next annual financial statements.
5.10 Insurance contracts

(IFRS 4)

IFRS 4 permits, in most cases, an entity that issues insurance contracts to continue its existing accounting policies with respect to insurance contracts.

An insurance contract is a contract that transfers significant insurance risk.

Any financial instrument that does not meet the definition of an insurance contract including investments held to back insurance liabilities will be accounted for under the general recognition and measurement requirements for financial instruments in IFRSs.

Changes in existing accounting policies for insurance contracts are permitted if the new policy, or a combination of new policies, results in information that is more relevant or reliable without reducing either relevance or reliability.

IFRS 4 permits financial instruments that include discretionary participation features to be accounted for as insurance contracts although these are subject to the disclosure requirements in IAS 32.

In some cases a deposit element is required to be unbundled from an insurance contract.

Some derivatives embedded in insurance contracts must be separated from their host insurance contract and accounted for as if they were stand-alone derivatives.

Recognition of catastrophe and equalisation provisions is prohibited.

A liability adequacy test is required to ensure that the measurement of an entity’s insurance liabilities considers all expected contractual cash flows, using current estimates.

The use of “shadow accounting,” under which the effect of certain unrealised gains and losses on insurance liabilities is recognised directly in equity, is permitted but not required.
5.10 Insurance contracts

Under SGAAP, an insurance contract is a contract in which one of the parties is an insurance company. Therefore, a contract in which a non-insurance company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain event adversely affects the policyholder is not an insurance contract under SGAAP. Such contracts would be accounted for under general requirements of SGAAP (see 3.11).

Insurance companies apply the Swedish Financial Supervisory Authority’s regulations, the requirements of which are outside the scope of this publication.
5.11 Extractive activities
(IFRS 6)

Forthcoming requirements
IFRS 6 permits, in many cases, an entity that incurs exploration for and evaluation of mineral resources (E&E) expenditure to continue its existing accounting policies with respect to such expenditure.

E&E costs can be expensed as incurred or capitalised, depending on the entity’s previous accounting policy.

Capitalised E&E costs must be segregated and classified as fixed or intangible assets, according to their nature.

Previous impairment policies cannot be continued automatically; instead the general impairment tests must be applied in measuring the impairment of E&E assets when there are indicators that the carrying amount of an E&E asset may exceed its recoverable amount.

Industry-specific indicators of impairment are identified.

The test for recoverability of E&E assets can combine several CGUs, so long as the group is not larger than a segment (see 5.2)

An entity can change its accounting policy regarding E&E assets if the change results in more and no less reliable, or more reliable and no less relevant information.
5.11 Extractive activities

SGAAP does not contain specific guidance on the recognition and measurement of E&E costs. In practice, E&E costs often are capitalised from the time that the potential for extracting a mine deposit has been confirmed.

Like IFRSs, capitalised E&E costs generally are segregated and classified as either fixed or intangible assets, according to their nature.

Similar to IFRSs, when events or changes in current conditions indicate that the book value of the capitalised E&E costs exceeds their recoverable value, capitalised E&E costs are written down to an amount corresponding to the current value of estimated future net cash flows, measured on a discounted basis.

Unlike IFRSs, there is no guidance in SGAAP on industry specific indicators of impairment.

Unlike IFRSs, when testing the recoverability of assets, SGAAP does not allow CGUs to be combined.

An entity can change its accounting policies regarding E&E costs if the change results in more appropriate accounting and is not contrary to standards issued by the IASB.
Appendix A

List of IFRSs in issue at 31 December 2004

IAS 1 Presentation of Financial Statements (revised 2004)
IAS 2 Inventories (revised 2003)
IAS 7 Cash Flow Statements (revised 2003)
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003)
IAS 10 Events After the Balance Sheet Date (revised 2004)
IAS 11 Construction Contracts (revised 1993)
IAS 12 Income Taxes (revised 2004)
IAS 14 Segment Reporting (revised 2004)
IAS 16 Property, Plant and Equipment (revised 2004)
IAS 17 Leases (revised 2004)
IAS 18 Revenue (revised 2004)
IAS 19 Employee Benefits (revised 2004)
IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures (2004)
IAS 21 The Effects of Changes in Foreign Exchange Rates (revised 2003)

IAS 23 Borrowing Costs (revised 2003)

IAS 24 Related Party Disclosures (revised 2003)

IAS 26 Accounting and Reporting by Retirement Benefit Plans (reformatted 1994)

IAS 27 Consolidated and Separate Financial Statements (revised 2004)

IAS 28 Investments in Associates (revised 2004)


IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions (revised 2003)

IAS 31 Interests in Joint Ventures (revised 2004)

IAS 32 Financial Instruments: Disclosure and Presentation (revised 2004)

IAS 33 Earnings per Share (revised 2004)

IAS 34 Interim Financial Reporting (revised 2004)

IAS 36 Impairment of Assets (revised 2004)


IAS 38 Intangible Assets (revised 2004)


IAS 40 Investment Property (revised 2004)

IAS 41 Agriculture (revised 2004)

IFRS 1 First-time Adoption of International Financial Reporting Standards (revised 2004)

IFRS 2 Share-based Payment (2004)

IFRS 3 Business Combinations (revised 2004)


IFRS 6 Exploration for and Evaluation of Mineral Resources

SIC–7 Introduction of the Euro (revised 2003)


SIC–12 Consolidation – Special Purpose Entities (revised 2003)

IFRIC Amendments to SIC–12 Scope of SIC–12 Consolidation of Special Purpose Entities (2004)

SIC–13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers (revised 2003)


SIC–25 Income Taxes – Change in the Tax Status of an Enterprise or its Shareholders (revised 2004)

SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease (revised 2003)

SIC–29 Disclosure – Service Concession Arrangements (revised 2003)


SIC–32 Intangible Assets – Web Site Costs (revised 2004)

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (2004)

IFRIC 2 Members’ Shares in Co-operative Entities and Similar Instruments (2004)


IFRIC 4 Determining whether an Arrangement Contains a Lease (2004)

IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (2004)
List of RRs and URAs in issue at 31 December 2004

RR 1:00 Koncernredovisning

RR 2:02 Varulager

RR 4 Redovisning av extraordinära intäkter och kostnader samt upplysningar för jämförelseändamål

RR 5 Redovisning av byte av redovisningsprincip

RR 6:99 Leasingavtal

RR 7 Redovisning av kassaflöden

RR 8 Redovisning av effekter av ändrade valutakurser

RR 9 Inkomstskatter

RR 10 Entreprenader och liknande uppdrag

RR 11 Intäkter

RR 12 Materiella anläggningstillgångar

RR 13 Intresseföretag

RR 14 Joint ventures

RR 15 Immateriella tillgångar

RR 16 Avsättningar, ansvarsförbindelser och eventualtillgångar

RR 17 Nedskrivningar

© 2005 KPMG Bohlins AB, the Swedish member firm of KPMG International, a Swiss cooperative.
RR 18 Resultat per aktie

RR 19 Verksamheter under avveckling

RR 20 Delårsrapportering

RR 21 Lånekostnader

RR 22 Utformning av finansiella rapporter

RR 23 Upplysningar om närstående

RR 24 Förvaltningsfastigheter

RR 25 Rapportering för segment – rörelsegrenar och geografiska områden

RR 26 Händelser efter balansdagen

RR 27 Finansiella instrument: Upplysningar och klassificering

RR 28 Statliga stöd

RR 29 Ersättningar till anställda

URA 1 Reala nollkupongsobligationer

URA 2 Syntetiska optioner

URA 3 Byte av räkenskapsår

URA 4 Koncernmässig omstrukturering

URA 5 Nedskrivning av aktier i dotterföretag i samband med en koncernintern omstrukturering

© 2005 KPMG Bohlins AB, the Swedish member firm of KPMG International, a Swiss cooperative.
URA 6 Aktivering av ränteutgifter i koncernredovisningen

URA 7 Koncernbidrag och aktieägartillskott

URA 8 Klassificering av ett leasingavtal

URA 9 Intellektuellt kapital

URA 10 ”Jämförelsestörande poster”

URA 11 Skatt vid andelsöverlätelse inom en koncern

URA 12 Poolningsmetodens tillämplighet

URA 13 Återbäring av överskottssandel i ALECTA/SPP

URA 14 Olika metoder för att fastställa ett varulagers anskaffningsvärde

URA 15 Konsekvent redovisning av lånekostnader

URA 16 Eliminering av orealiserade vinster och förluster i samband med transaktioner med intresseföretag

URA 17 Införande av euro

URA 18 Företagsförvärv eller samgående

URA 19 Statliga stöd utan uttryckligt samband med företagets löpande verksamhet

URA 20 När skall specialföretag, bildat för ett speciellt ändamål, omfattas av koncernredovisningen?

URA 21 Överföring av icke-monetära tillgångar från en samägare till ett joint venture i form av ett gemensamt styrt företag
URA 22 Redovisning av försäkringsersättning m.m.

URA 23 Förmåner i samband med teckning av operationella leasingavtal

URA 24 Återköp av egetkapitalinstrument

URA 25 Redovisning av kostnader i samband med emission och återköp av egetkapitalinstrument

URA 26 Alternativa redovisningsprinciper

URA 27 Val av rapportvaluta i RR 8, Redovisning av effekter av ändrade valutakurser

URA 28 Redovisning av förluster i samband med tillämpning av kapitalandelsmetoden

URA 29 Redovisning av uppskjuten skatt vid uppskrivning av icke-avskrivningsbara tillgångar

URA 30 Justering av förvärvsanalys på grund av ofullständiga eller oriktiga uppgifter

URA 31 Större besiktnings- och översynskostnader avseende materiella anläggningstillgångar

URA 32 Beräkning av resultat per aktie när företag ingått avtal som kan resultera i en emission av aktier

URA 33 Konsekvenser av en förändring av skattestatus

URA 34 Bedömning av den ekonomiska innebörden av transaktioner som innefattar ett leasingavtal

URA 35 Koncernredovisning – vad avses med ”transaktionsdagen” och hur fastställs det verkliga värdet på egetkapitalinstrument
URA 36 Upplysningar om avtal som ger allmänheten tillgång till ekonomiska eller samhälleliga tjänster

URA 37 Omräkning från värderingsvaluta till rapportvaluta

URA 38 Intäktsredovisning i samband med byte av reklamtjänster

URA 39 Redovisning av utgifter för hemsidor

URA 40 Hur påverkas koncernredovisningen och tillämpningen av kapitalsmetoden av förekomsten av potentiella röstberättigade aktier

URA 41 Upplysningar om aktierelaterade ersättningar till anställda

URA 42 Klassificering av ITP-planer som finansieras genom försäkring i Alecta

URA 43 Redovisning av särskild löneskatt och avkastningsskatt
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

"IAS", "IFRS", "IASB", "IASC", "IASCF", "SIC", "International Financial Reporting Standards" and "International Accounting Standards" are Trade Marks of the International Accounting Standards Committee Foundation and should not be used without the prior written approval of the IASCF.