THE ACCOUNTING MANUAL IS THE DEFINITIVE HANDBOOK TO ACCOUNTING BASED ON THE BAS ACCOUNTING PLAN

SVENSK REDOVISNING

THE ACCOUNTING MANUAL

2017

BAS

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Svensk Redovisning

THE ACCOUNTING MANUAL 2017

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THE ACCOUNTING MANUAL 2017 is published on behalf of
BAS-kontogruppen i Stockholm AB
Wolters Kluwer AB

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Från och med 2015
heter Norstedts Juridik
Wolters Kluwer.

THE ACCOUNTING MANUAL 2017
Edition 1:1

ISBN 978-91-39-11544-1

Typeset by: Elanders Sverige AB, 2017
Printed and bound by: Williams Lea, 2017

Foreword

Since its introduction in 1976, the BAS Accounting Plan has become the leading chart of accounts in Sweden and is now used by the vast majority of Swedish companies, large and small. A number of industrial sector organisations have developed tailored versions, which is also the case for central and local government bodies.

The BAS Accounting Plan is continuously updated and improved. The latest edition was issued in spring 2017.

Experience from earlier editions has shown that there is great interest in the English version of BAS among, for example, Swedish enterprises with non-Swedish subsidiaries that use the BAS Accounting Plan and consequently need to have it available in English. The English version is also of value for non-Swedish parent companies with subsidiaries in Sweden.

The Swedish version of the Accounting Plan with associated instructions and in-depth material has been divided into two books; one with a focus on current recording of transactions and the other on annual accounts. This English version has also been revised accordingly and is based on the Swedish book for current recording of transactions. In addition the English version includes references to laws and regulations that must be applied when preparing annual accounts. Reference is made to both Swedish and international standards.

Stockholm in May, 2017

The BAS organisation

Peter Nilsson

Contents

Basic principles of the BAS Accounting Plan

Since its creation in 1976 the structure of the BAS Accounting Plan has been based on a logical link to the statutory formats for the income statement and balance sheet. This link has great pedagogical advantages, since it makes it easy to understand how the structure of the accounts is linked to the company's annual report (or annual closing). It also makes it easier to follow a business transaction from registration to its final place in the balance sheet and income statement.

The BAS Accounting Plan represents a general method for systematising and coding the business transactions of an enterprise and also possible adjustments in the accounting records.

The following points must be stressed:

- The BAS Accounting Plan may be used by most enterprises and organisations, irrespective of branch of industry, line of business, type of ownership, type of enterprise etc.
- The BAS Accounting Plan includes all transactions between the enterprise and its business environment, i.e. the financial accounting.
- The BAS Accounting Plan is based on ÅRL (1995:1554) and its compulsory formats for income statement and balance sheet. The accounting plan has also, as far as possible, been adapted to the content of the supplementary disclosures. Special adaptation has been made to The K-frameworks, see Accounting standards below.
- The BAS Accounting Plan and its coding instructions are linked to accounting recommendations and statements from Swedish and international standard-setters.
- The BAS Accounting Plan has as far as possible been adapted to the system used by Statistics Sweden, thus facilitating production of information for submission to Statistics Sweden directly from the accounts. This contributes to efficient generation of uniform key ratios for comparisons between industries and enterprises.
- The BAS Accounting Plan forms the basis of the Swedish Tax Agency's standardised accounting information included in the income tax return for business activities (so called SRU). The BAS organisation has been made responsible for linking the information in the form of SRU codes to the chart of accounts in BAS.
- The BAS Accounting Plan is adapted to modern methods of registering data of different kinds but is also suitable for manual accounting.
- The BAS Accounting Plan entails double entry accounting (reconciliation of debit and credit).
- The BAS Accounting Plan's basic data are classified and registered on the basis of origin or access in a way that is neutral in relation to different methods of designing reports, financial assessments, product estimates, capital investment appraisal, budgets etc. Only simple kinds of revenue and costs are used. No classification according to function such as production, administration, selling or research and development is included. Multidimensional

recording is required for accounting classified by function adjusted after each company's structure.

- The BAS Accounting Plan facilitates integration with management accounting through the use of account class 9 or through the use of multidimensional registration. Supplementary information for statistical purposes, for example, is facilitated through the use of class 0.

Basic Schedule of the BAS Chart of Accounts

BAS is divided into eight account classes for financial accounting. The chart of accounts also includes an account class 0 for supplementary information, statistics etc. and an account class 9 for management accounting. Class 0 contains information that is not classified as accounting information and is therefore excluded from the formal chart of accounts. Please note that these account classes are not included in this version.

The accounts in account classes 1 to 8 are arranged according to the formats for balance sheet and income statement prescribed in ÅRL. BAS follows the income statement classified by nature of expense. To the extent deviations occur, they refer to BFNAR 2008:1 Annual accounts in small limited liability companies, BFNAR 2009:1 Annual accounts in small economic associations or accounting recommendation FAR RedR 1 Annual Accounts in limited liability companies. There are separate comments on the deviations in the coding instructions.

Under ÅRL, BFNAR 2008:1, BFNAR 2009:1 and the FAR RedR 1 recommendation the different types of interest income included in the total are not disclosed separately. Instead they are presented on different lines under the heading Profit/loss from financial items. Companies that also need differentiated data on total interest income for calculating certain financial key ratios should, therefore, make a separate specification in the management accounting.

Chart of accounts structure

The BAS Chart of Accounts is based on so-called decimal classification, according to which an account's position in the chart of accounts is shown through the positioning of digits (levels). Here is an example.

6	Other external operating expenses/costs				Account class
	62	Telecommunications and postal services			Account group
		6200	Telecommunications and postal services		Control account
			6210	Telecommunications	Main account
				6211 Fixed telephony	Sub-account

The first digit in the account number is the account class and the first two the account group. A control account is designated by four digits ending in 00, which means that only one account is used for all transactions belonging to the account group in question. Four digits ending in 0 designate a main account. A four-digit number ending in 1–9 designates a sub-account.

Division into account classes

When dividing the BAS Chart of Accounts into account classes the aim has been, as far as possible, to coincide with the main headings in the formats for balance sheet and income statement presented in ÅRL. It has, however, not been possible to achieve this entirely. Exceptions have been made for items which only include a small number of account groups; Financial income and expenditure, Appropriations and Taxes are all included in account class 8, where income and expenditure in certain cases are combined into one and the same account group.

The different account classes in the BAS Chart of Accounts are as follows:

<table>
<tr><td>Accounts for supplementary information, statistics etc.</td><td colspan="2">Financial position</td><td colspan="6">Profit/loss</td><td rowspan="2">Accounts for reconciliation of management accounting etc.</td></tr>
<tr><td></td><td colspan="2">Balance sheet accounts</td><td colspan="5">Accounts for operating profit/loss</td><td>Accounts for other items</td></tr>
<tr><td rowspan="3">Free</td><td rowspan="3">Assets</td><td rowspan="3">Equity

Provision
Liabilities</td><td rowspan="3">Main revenue

Own work capitalised
Other operating income</td><td colspan="4">Operating expenses/costs</td><td rowspan="3">Financial items

Extraordinary items
Appropriations
Taxes
Profit/loss for the year</td><td rowspan="3">Free</td></tr>
<tr><td></td><td colspan="2">Other external items</td><td></td></tr>
<tr><td>Purchase of goods and material
Change in inventories</td><td></td><td></td><td>Personnel
Write-downs
Depreciation
Other operating expenses</td></tr>
<tr><td>Account class 0</td><td>Account class 1</td><td>Account class 2</td><td>Account class 3</td><td>Account class 4</td><td>Account class 5</td><td>Account class 6</td><td>Account class 7</td><td>Account class 8</td><td>Account class 9</td></tr>
</table>

Classification into account groups

The account groups have a special function when it comes to uniting the chart of accounts with different dimensions in a systematic way, i.e. to make large and small charts of accounts comparable. An account group may in certain cases be the smallest unit and in such cases consist of one account. To be able to differentiate between account headings and accounts in an account group, the principle of two-digit heading numbers and four-digit account numbers has been used. If an account group must be used as an account, two noughts (00) are added to the two-digit number forming a so-called control account. Not all account groups contain a control account. In most cases, more than one account is used within an account group.

Classification into accounts

All account numbers consist of four digits and are the basis for the chart of accounts. The contents of an account are defined in the coding instructions. Taking into consideration the way in which the contents of an account are defined, the following kinds of accounts may be distinguished:

Control accounts with four digits ending in 00. Only one account may be used for all transactions relating to that account group. The number of control accounts included in the accounting plan has been substantially reduced in

Link between the accounts in BAS and the items in the balance sheet and income statement

BAS is structured so that account classes, account groups and accounts follow the sequence in the formats for the balance sheet and the income statement classified by nature of expense in ÅRL. This is illustrated on the following pages. Differences between K3 and K2 have been marked.

Balance sheet

Assets		
Subscribed capital unpaid		1690 Subscribed capital unpaid
Fixed assets		
Intangible assets	Capitalised expenditure for research and development and similar **(Not K2)**	1010 Development expenditure
	Concessions, patents, licenses, trademarks and similar rights	1020 Concessions etc. 1030 Patents 1040 Licences 1050 Trademarks
	Renting and similar rights	1060 Tenancy, site leasehold and similar rights
	Goodwill	1070 Goodwill
	Advance payments for intangible assets	1088 Advance payments for intangible fixed assets
Tangible assets	Land and buildings	11xx Land and buildings **(excl. account 1180 and 1120)**
	Plant and machinery	1210 Plant and machinery
	Equipment, tools, fixtures and fittings	1220 Equipment and tools 1230 Fixtures and fittings 1240 Cars and other transport equipment 1250 Computers 1260 Leased assets 1290 Other tangible fixed assets
	Cost of improvements to leased property	1120 Cost of improvements to leased property
	Other tangible fixed assets	1290 Other tangible fixed assets
	Construction in progress and advance payments for tangible assets	1180 Construction in progress and advance payments for land and buildings 1280 Construction in progress and advance payments for machinery and equipment
Financial assets	Participations in group companies	1310 Shares and participations in group companies
	Receivables from group companies	1320 Long-term receivables from group companies

12 Machinery and equipment

General information on the contents of the account group

Machinery and equipment as included in this account group, together with account group 11 Land and buildings, are disclosed as Tangible fixed assets on the balance sheet.

This account group covers the following assets:

- Plant and machinery intended for production.
- Equipment, tools, fixtures and fittings intended for supporting departments, administration and sale.
- Other tangible fixed assets, for example animals classified as fixed assets.
- Expenditure referring to construction in progress and advance payments in connection with acquisition of tangible fixed assets.

For reasons of simplicity, tangible fixed assets of minor value and short-term equipment may be expensed in the same year as they are acquired. This is in line with the provisions of the Income Tax Act on equipment of minor value.

Machinery and equipment that are not capitalised may be reported in account group 54 Consumable equipment and supplies.

The following table shows the accounts included in account group 12.

Account number	Account name	Type of asset	For example
■ 1210	Plant and machinery	Machinery used in operation and manufacturing	• Construction machinery • Building equipment
■ 1220	Equipment and tools	Equipment and tools used in supporting departments and administration	• Non-fixed machinery • Shop fittings • Spare parts for repairs and maintenance
1230	Fixtures and fittings	Fixtures and fittings that are of value to the company but are not required for the general functioning of the building	• Communication equipment
■ 1240	Cars and other transport equipment	Motor vehicles	• Cars • Tractors

Account number	Account name	Type of asset	For example
■ 1250	Computers	Hardware for computers and software for which the cost of acquisition cannot be determined	• Computer screens • Hard disks • Servers • Printers
1260 (Not K2)	Leased assets	Financial leases where the asset is not recorded under the respective type of asset	
1280	Construction in progress and advance payments for machinery and equipment	Investments in new plant and advance payments for machinery and equipment	
■ 1290	Other tangible fixed assets	Animals classified as fixed assets etc.	• Works of art • Animals

Posting in BAS

After the date of acquisition tangible fixed assets are to be recorded at cost of acquisition (12x0–12x7) less accumulated depreciation (12x9) and accumulated write-downs (12x8). Revaluations are debited to the respective account (12x0-12x7) and credited to account 2085 Revaluation reserve. Revaluation may not be made when K2 rules are applied.

Depreciation and write-downs, reversals of write-downs and sale/retirement of revalued tangible fixed assets are to be debited to account 2085 and credited to account 2091.

Reporting in the income statement

Depreciation according to plan is debited to account 7830 Depreciation on machinery and equipment.

Proceeds from disposals are credited to account 3973 Gains on sale of machinery and equipment or debited to account 7973 Losses on sale of machinery and equipment.

In an income statement classified by nature of expense the part of the year's expenditure attributable to self-constructed fixed assets must be recorded gross. In practice expenses are normally recorded on a current basis in the respective nature of expense account. At the year-end closing account group 12 is debited and account group 38 Own work capitalised is credited. The effect of this transaction is to neutralise the costs recorded in the income statement that are actually attributable to self-constructed fixed assets (gross accounting).

Laws and standards

- ÅRL Chapters 2, 4, 5
- K2 Chapters 2, 4, 9–10, 18
- K3 Chapters 2, 4, 17, 24–25, 27

■ 1210 Plant and machinery

Contents of the account

The account shows the carrying amount for machinery, large special tools and other technical plant intended for use in manufacturing or provision of services. For example an excavator in a contracting company should also be recorded in this account.

The term machinery refers to generally used equipment with a power source that is normally found at a workplace.

This account is also used to record expenditure for parts and accessories for a building that are intended to be used directly in operations, so-called permanent building equipment. The following are examples of permanent equipment in an industrial building: machine bases, rails and gantry tracks, lifts for transporting goods, storage tanks, containers and platforms for storage, pipes and cables for water, waste, electricity intended to directly serve industrial operations, special heating and ventilation facilities and separate chimneys for dissipation of gases etc.

The cost of acquisition for acquired and self-constructed machinery must include, besides the purchase price for material, expenditure that is directly attributable to the acquisition. Examples of such expenditure are customs, freight, installation and consulting services. A deduction is to be made for trade discounts, bonus and other similar rebates.

Under K2 rules estimated expenditure for dismantling, removal or site restoration is not to be included in the cost of acquisition of an acquired fixed asset. The same applies to legal entities under the K3 rules.

The cost of acquisition for a manufactured machine should also include and may include certain other direct and indirect costs.

Different rules apply under K2 and K3 for additional expenditure.

Where necessary, the account can be divided into the following sub-accounts.

1211 Machinery

1213 Other plant

Accumulated write-downs and depreciation on plant and machinery are recorded as an adjusting entry in the following accounts:

1218 Accumulated write-downs of plant and machinery

■ 1219 Accumulated depreciation on plant and machinery

Please note

Under K2 rules tangible fixed assets of minor value and short-term equipment may be expensed in the same year as they are acquired. This is in

5–6 Other external operating expenses/costs

General information on the contents of the account groups

In account groups 50 to 69 all external operating expenses and costs are recorded, with the exception of goods, materials and sub-contracted work (account class 4) and personnel (account class 7). In monthly reports, management accounts and annual accounts these expenses are reported on an accrual basis.

These account groups are recorded in the item “Other external costs” in the income statement classified by nature of expense.

The following table shows the accounts included in account groups 50–69.

Account group	Account name	Account group	Account name
50	Rented premises	60	Other selling expenses
51	Property costs	61	Office supplies and printed matter
52	Hired fixed assets	62	Telecommunications and postal services
53	Energy costs	63	Corporate insurance and other risk-related costs
54	Consumable equipment and supplies	64	Costs of administration
55	Repairs and maintenance	65	Other external services
56	Transport equipment costs	66	(Unspecified account group)
57	Freight and transportation	67	(Unspecified account group)
58	Travel expenses	68	Temporary employee
59	Advertising and PR	69	Other external expenses

Laws and standards

- K2 Chapters 2, 6, 7, 16
- K3 Chapters 2, 18, 21

50 Rented premises

General information on the contents of the account group

This account group is used to record costs relating to rented premises in which the operations of the company are run. Expenses are recorded on an accrual basis in management accounts and annual accounts.

The accounts in this account group are used if companies rent premises (usufruct rights). If operations are run on the company's own premises account group 51 should be used.

In addition to rent and additional charges for water/sewage, heating etc., costs for rented premises also include refuse collection, cleaning, maintenance and repairs.

Where expenditure on improvements of leased premises is recorded as an asset in account 1120 Cost of improvements to leased property, this is to be depreciated over the term of the lease.

Laws and standards

See page ~~263~~.

5000 Rented premises (control account)

Contents of the account

This account is debited with all costs for rented premises covered by account group 50. Lease costs are also recorded in the account. The account is used as a control account if different types of costs for premises do not need to be reported separately.

■ 5010 Rent

Contents of the account

This account is debited with rent for rented premises and lease expenditure for all leased properties and premises.

The rent recorded here is the sum debited by the landlord, comprising the basic rent and additional rent for water and sewage, fuel etc. Please note that water charges concerning the operations are recorded in account 5380 Water.

The amount charged by the property owner for agricultural leases, housing leases, facility leases or apartment leases is recorded as a lease.

If necessary, the account may be divided into the following sub-accounts:

5011 Rented office premises

5012 Rented garages

5013 Rented storage space

Contra accounts

1710 Prepaid rent

Not to be posted in the account

Premises in own property → Account group 51

Site leasehold fees → 5110

Water for operations → 5380

Please note

This account is not used when the operations are run on the company's own property. All costs for the property are then recorded instead in account group 51 Property costs. When operations are run on the owner's (residential) property, which is only partly used in the operations, the property expenses may instead be recorded in a separate equity account for sole traders (sub-account to account 2010 Equity).

Rent is often paid quarterly in advance. Thus in the annual accounts there may be items that need to be accrued. This is done in account 1710 Prepaid rent.

If every financial year the same type of expense recurs, that is not a personnel expense, under K2 rules it may be recognised as an expense in the financial year the company normally receives an invoice or makes a contractual payment or similar if a) the expense can be assumed to vary no more than 20 per cent between years, and b) one year's cost is recognised in each financial year.

Under K2 rules there is also a year-end closing rule that under certain conditions means that expenditure of less than SEK 5 000 does not need to be accrued. There is no corresponding rule in K3, but instead materiality must be assessed on a case by case basis.

■ 5020 Electricity for lighting

Contents of the account

This account is debited with costs for electricity used entirely for lighting of premises.

Expenditure on electricity is recorded in this account group only when electricity is used for lighting of premises but not for operations.

Not to be posted in the account

Electricity for lighting, own property → 5120

Electricity for operations → 5310

Please note

If electricity is used both for operations and for lighting the premises and there are no separate electricity meters, the costs should first be recorded

Bookkeeping – current recording of transactions, vouchers and retention of records

Legislation and other standards

The Bookkeeping Act (1999:1078) regulates such matters as who is required to maintain accounting records, the financial year, the meaning of the requirement to maintain accounting records, current recording of transactions and vouchers, how to close the current recording of transactions and retention of accounting records. Those required to maintain accounting records must, under the Bookkeeping Act, close their accounts with an annual report, an annual closing or a simplified annual closing. The provisions on annual closing and annual reports can be found in the Annual Accounts Act, ÅRL (1995:1554).

Other laws may also contain rules that affect bookkeeping. For example, the VAT Act stipulates certain conditions concerning supporting material for VAT reporting.

Those required to maintain accounting records must comply with the Bookkeeping Act and generally accepted accounting principles. The Swedish Accounting Standards Board is responsible for developing generally accepted accounting principles and issues general advice and guidance, including BFNAR 2013:2 Bookkeeping. This general advice is structured in the same way as the K3 rules, i.e. each individual area starts with a piece of legislation followed by one or more items of general advice linked to the particular provision quoted. After that a comment is given on the legal text and general advice. Finally a number of examples are given that are linked to the nine chapters of general advice:

1. Application, definitions and language
2. Current recording of transactions and its presentation
3. Time of posting
4. Fixed assets register
5. Vouchers
6. Summary vouchers
7. Accounting records
8. Retention of accounting records
9. Systems documentation and description of accounting procedures applied

The general advice is to be applied by natural persons required to maintain accounting records. This means that even business operators that prepare a simplified annual closing and apply the K1-rules in some parts are to apply the general advice. Legal entities, regardless of size, must also apply the general advice. However, estates in bankruptcy are not covered by the general advice.

Who should maintain accounting records?

Natural persons who are business operators are required to maintain accounting records of these operations. Legal entities are required on principle to keep accounting records even if they do not operate a business. Some exemptions are made, for example for small foundations or non-profit associations.

Laws and standards

Chapter 2, Bookkeeping Act

Point 1.2 BFNAR 2013:2 Bookkeeping

BFNAR 2006:1, Sole traders who prepare a simplified annual closing

BFNAR 2010:1, Non-profit associations and registered religious communities that prepare a simplified annual closing

BFN R 11 Sole trader accounts

BFNAR 2004:2 Cessation of requirement to maintain accounting records in sole trader businesses

BFN U 88:7 Issues concerning requirement of sole traders to maintain accounting records

BFN U 88:8 Annual accounts in commission agent companies

BFN U 87:10 Book-keeping in insolvency

Systems documentation and description of accounting procedures applied

Systems documentation

Systems documentation means descriptions of the organisation and structure of the accounting system necessary to provide an overview of the system. Systems documentation must include

- a chart of accounts,
- a description of how accounts are used and how they are combined when preparing an annual closing or annual report, if this is not clear from the chart of accounts,
- a description of the accounting system and
- a records retention plan.

The items in question are not needed if the overview which the systems documentation is to provide is directly evident from the accounting records. This applies above all if the entity required to maintain accounting records keeps the books manually or uses standardised accounting software that is managed without automatic coding.

The chart of accounts shows the bookkeeping accounts and their use. There is no stipulation as to which chart of accounts should be used; the entity required to maintain accounting records may draw up the chart. However, the majority of those required to maintain accounting records use the BAS Accounting Plan. There are great advantages, both practical and financial, to using the BAS Accounting Plan. It is set up in most standard accounting software, which means that those required to maintain account-