Are like business transactions reflected similar in the financial reports?

A study of Swedish construction companies’ appliance of IFRIC 15

University of Gothenburg
School of Business, Economics and Law
FEA50E Degree Project in Business Administration for Master of Science in Business and Economics, 30 credits

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This thesis has been produced during the beginning of 2013. There are some people that we would like to thank for making this thesis possible. At first we want to thank our tutor Pernilla Lundqvist and our opponents for all the help during the process and for the useful comments. We also want to give a special thanks to all the respondents that took the time, despite busy calendars, and answered our questions. At last we want to thank each other for an inspiring time and for a good working relationship.

Gothenburg, 27 May 2013

__________________________________________  ________________________________________
Sandra Olausson Lind                        Ulrika Rilde Bernet
Abstract

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Title: Are like business transactions reflected similar in the financial reports? A study of Swedish construction companies’ appliance of IFRIC 15

Background and Problem: Since 2005 all listed companies within the European Union are obligated to establish their consolidated financial statements according to IFRS. IASB is responsible for issuing these accounting standards. The revenue standards - IAS 11 and IAS 18 express very different methods for revenue recognition and since no clear distinction between the two seemed to exist - IFRIC 15 was issued to help clarify this matter. Confusion still, however, seems to exist since in regards to construction of cooperative apartments some companies apply IAS 11 and some apply IAS 18. Previous studies observe that this divergence in practice exists, but do not examine the reasons for it. The divergence could be caused by differences in business transactions and it is therefore essential to study the underlying business transactions in detail in order to conclude the reasons for the divergence.

Aim of the study: This thesis has examined the underlying business transactions that occur in the process of construction of cooperative apartments. These have then in combination with the companies’ presented arguments been used to help explain the reason for the differences in the applied accounting methods.

Methodology: The divergence in practice has been examined by studying the four listed construction companies in Sweden. Interviews have been conducted with respondents at these companies as well as with the companies’ signing auditors. The interviews have addressed both the business transactions of the underlying construction process and the arguments presented for the used accounting method in regards to IFRIC 15.

Analysis and conclusion: This thesis shows that the business transactions in regards to the construction of cooperative apartments are very similar between the studied companies. These similarities are, however, not reflected in the financial reports since both IAS 11 and IAS 18 are applied to reflect the same business transactions even after the issuing of IFRIC 15. Our study indicates that it is rather the room for interpretation in IFRIC 15 than differences in business transactions that causes the divergence in practice.

Keywords: IFRIC 15, construction companies, construction of cooperative apartments, business transactions, interpretation, personal judgment.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>EFRAG</td>
<td>European Financial Reporting Advisory Group</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>IAS</td>
<td>International Accounting Standards</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
</tr>
<tr>
<td>IFRIC</td>
<td>IFRS Interpretations Committee</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>US GAAP</td>
<td>United States Generally Accepted Accounting Principles</td>
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1. Introduction

This first section of the thesis will begin by presenting a background to the subject. This background will then continue into a problem discussion, whose purpose is to specify the problem that will be examined in the thesis. The purpose and research questions of the thesis are drawn from the problem discussion and are also presented here. The final part of this section points out the delimitations in the thesis.

1.1 Background

Accounting has long had the aim to give information about the economic activity in a company. Over time the type of requested information has changed (Falkman, 2001). However the ability to compare information has at all times been crucial and is still so today. In order to enhance the comparability of financial information and also to contribute to a better functioning of internal markets, the European Union (EU) decided to harmonize the accounting regulations. The result was International Financial Reporting Standards (IFRS) which all listed companies within the European Union are obligated to establish their consolidated reports according to since 2005 (The European Parliament and the Council of the European Union, 2002).

The International Accounting Standards Board (IASB) is the organization responsible for the development of IFRS and their aim is to ensure that financial information is useful for decision making for existent and potential investors, lenders and other creditors (IASB, 2013a: Conceptual Framework, p OB2). In order for information to fulfill this purpose it must be relevant, comparable and represented faithfully (IASB, 2013a: Conceptual Framework, p QC4). To ensure the usefulness of financial information, accounting standards (IFRS) are issued. These standards are principle-based which means that they are characterized by lacking clear guidance and therefore requiring personal judgment (Collins et al, 2012). This is particularly the case with the standards regarding revenue: IAS 18 and IAS 11. IAS 18 is the most general of the two standards and states that revenue should not be recognized until significant risks and rewards have been transferred to the buyer (IASB, 2013a: IAS 18, p 14). IAS 11 addresses revenue from construction contracts and states that in such contracts revenues should be recognized gradually as the project progresses (IASB, 2013a: IAS 11, p 26). The two standards express different methods for revenue recognition and since there is no clear distinction between them, further guidance could be required. In such cases the IFRS Interpretation Committee (IFRIC) has the ability to provide interpretations to help clarify a certain issue (IASB and IFRS Interpretations Committee, 2013).

With revenues being a complex issue, little guidance in the existing standards and no clear distinction between the two standards, an interpretation was considered necessary. The result was IFRIC 15 which is unique in the sense that it addresses only one specific branch: the construction industry. This industry is characterized by projects spanning a long period of time and the complexity regarding revenue lies therefore mainly in when the revenue should be recognized (IASB, 2008). The aim of IFRIC 15 was to help clarify this issue but even after its issuing confusion seemingly remains. An area where this confusion particularly shows is in
the construction of cooperative apartments where companies account for revenues from ostensibly similar projects very differently (Johansson, 2010a).

1.2 Problem discussion

The divergence in accounting is clearly shown in regards to the construction of cooperative apartments in Swedish construction companies. Some construction companies account for revenue from such projects according to IAS 18 and some according to IAS 11. This results in very different accounting and impaired comparability (Johansson, 2010a). When revenue is accounted for according to IAS 18, it is recognized at one single point in time, namely when all significant risks and rewards have been transferred to the buyer. This normally occurs when the building is fully completed (IASB, 2013a: IAS 18, p 14-15). If revenue is instead accounted for according to IAS 11, it is recognized gradually during the construction as the project progresses (IASB, 2013a: IAS 11, p 26).

IFRIC 15 was issued to help clarify the distinction between IAS 11 and IAS 18, by providing a definition of what a construction contract is. Agreements that meet this definition have to be accounted for according to IAS 11; agreements that do not meet this definition should be accounted for according to IAS 18. It should, in other words, not be possible to choose what standard to apply (IASB, 2013a: IFRIC 15 p 6 and 11). Even so, previous theses, such as Wågberg and Zackrisson (2010) and Altunkaynak and Hanouch (2012), confirm Johansson’s (2010a) view that the major Swedish construction companies account for revenues from construction of cooperative apartments differently. Their studies show that in regards to construction of cooperative apartments both IAS 11 and IAS 18 are applied on seemingly similar projects but they do not examine the possible reasons for this divergence. Could it be that the business transactions in fact differ between the construction companies and that the use of different accounting methods is therefore justified? Or could it be that the business transactions are similar but that the construction companies interpret IFRIC 15 differently?

Previous studies simply observe that a divergence exists. However, in order to explain the divergence, the underlying business transactions have to be studied in detail. The usefulness of financial information depends to a large extent on whether or not it is comparable. Comparability means that “like transactions must look alike and different transactions must look different” (IASB, 2013a: Conceptual Framework, p QC23). Only if the business transactions are alike should they be reflected in a similar way in the financial reports. To be able to explain the divergence in practice, it is therefore essential to look inside the construction companies and examine the business transactions that occur. This cannot be done simply by reading the companies’ annual reports, which state little or no information regarding specific business transactions. Detailed information from sources within the companies is necessary in order to fully understand the business transactions and only by fully understanding these business transactions can conclusions about the reasons for the divergence be drawn.
1.3 Research questions and purpose

This thesis is based on the following research questions:

- Are there differences in the business transactions and if so, how are these reflected in the financial reports?
- If the divergence in practice is not caused by differences in the business transactions, what arguments are used to motivate the applied method of revenue recognition?

The purpose we aim to fulfill is:

To examine whether like business transactions are being accounted for in a similar way, and whether the divergence in practice depends on the fact that the business transactions differ.

1.4 Delimitations

During the study, we have chosen to focus on construction companies in Sweden that are listed and therefore obligated to apply IFRS in their consolidated financial reports. Within the construction companies we have limited our focus to only include the construction of cooperative apartments since previously studies, such as Wågberg and Zackrisson (2010) and Altunkaynak and Hanouch (2012), have shown that this is an area where divergence occurs. There are, however, sections in the examined standards and interpretations that do not occur in practice when constructing cooperative apartments, and these are therefore not covered in this thesis. The sections that will not be covered in this thesis are: rendering of services, continuously transfer, further work after delivery, construction before signing of contract and cost plus contracts.
2. Methodology

This section will describe the method used during the work within the thesis. It includes the research approach and the relation between theoretical framework and empirical work. It will continue with the data collection and the chosen empirical data method: interviews. Thereafter the selection process in regards to finding suitable companies, segment and respondents will be described. The section will also address the interview structure and how the interviews were conducted in practice. Last in this section, the method of analysis of empirical data will be described.

2.1 Research approach

The selection of the research approach should be based on the purpose of the thesis and the approach that best fulfills this purpose should be chosen. If the purpose is of a more general matter and measurable, in other words if the purpose is to find out what a larger population thinks of an issue, a quantitative approach should be used. When the purpose is of a more explanatory matter, qualitative research should instead be used. With qualitative research it is possible to reach a deeper understanding of a problem and therefore find the underlying reasons for an issue. However, critics argue that the qualitative approach is weak in the sense that it is too subjective (Andersen, 1994).

We have chosen a qualitative approach for our thesis. One reason for the qualitative approach in our case is that it is only listed companies that are obligated to apply the regulations from IASB and because we are focusing on companies that apply IFRIC 15 during the construction of cooperative apartments, the selection of respondents is very limited. To focus only on a few respondents is positive because it gives us time and space to examine both the construction process for cooperative apartments and also apply this on the accounting. We need to examine the construction process to find out if there are any differences in the business transactions between the examined companies to thereafter be able to study other possible reasons for the divergence in practice. We also need background and arguments for all the answers to get a deep understanding about the issue. It is not enough with just yes or no answers for us because we need to analyze the causes to be able to fulfill the purpose of the thesis. Another reason is connected to the difficulties with measuring the answers from respondents in this thesis, which is necessary in a quantitative study.

2.2 Relation between theoretical framework and empirical work

There are three alternative ways to relate theory to the empirical work, according to Patel and Davidson (2011). The first way is deduction, where the theory is the base in the study and the empirical data is analyzed on the basis of the theory. Another way, induction, is of a more experimental way to relate theory to empirical work. Instead of relating theory to empirical work, the focus is on the empirical work which is used to formulate a general theory and conclusion. The third way, abduction, is a mixture of deduction and induction.
This thesis has been based on a deductive approach due to the fact that the process started with gathering theoretical information and thereafter interviews were held to examine how the issue is dealt with in practice. We started with reading earlier studies about the subject, which were not that many. We did this to get a quick overview of the subject to be able to get a clearer understanding of what our thesis purpose should be and what to research. After that we continued the information gathering and started to search for more information about the subject and its background. After completing a large part of the theoretical framework, we started to work with the empirical data, always with the theoretical framework and our purpose as a base. We found it most suitable to use a deductive approach because we needed to study the subject properly before we could apply it in practice. It was also necessary to begin with the theoretical framework to significantly reduce the risk that we missed something in the empirical data collection because of lack of knowledge about the subject.

2.3 Data collection

Primary data is data that is gathered for the very first time, in other words, data gathered from the primary source of information, e.g. interviews. This type of data is usually the most reliable mainly because it comes from the primary source and therefore poses little risk for interpretation errors which might occur over time (Jacobsen, 2002).

Secondary data is data that is gathered by other people, e.g. articles, financial statements etcetera. This means that the information has been gathered by someone else and for a purpose that might differ from one’s own. This can pose a risk for errors and bias, which results in decreased reliability. Criticism of sources is therefore of great importance when using secondary data. Not only should it be considered where the information comes from, but also who has gathered it and for what purpose (Jacobsen, 2002).

In this thesis both primary and secondary data have been used, for example interviews as primary data and articles and financial statements as secondary data. For the theoretical framework we used articles about the subject as our main source of data. To understand the subject we needed to learn more about the topic and the background to IFRIC 15. In order to increase reliability in our theoretical framework we have mostly referred to articles in internationally recognized journals. We chose to use interviews as our primary source for the empirical data. (See part 2.4 ‘Interviews’ for information and justification of the chosen data collection method for the empirical data.) We also used the companies’ financial statements. In the early stages of the study the financial statements helped us to learn more about the companies. By doing this, we had more knowledge about the companies, their construction processes and accounting methods, before the interviews. It was therefore possible to easier follow the discussion during the interviews and thereby ask relevant follow-up questions to make sure that we understood everything correctly and that we got all the information we needed. Later in the study the financial statements from 2010 and 2011 were used to understand how the companies accounted before and after the issuing of IFRIC 15. The financial statements can partly be seen as a complement to the interviews. Using different types of data will enable them to control and complement each other and create validity. In
cases where they support each other, results and conclusions will be strengthened; in cases where they contradict, interesting and valid points can be learned. We have used the financial statements partly as a complement because we considered it better to get the information directly from the companies with our purpose in mind instead of only using the financial statements where the recipients are numerous and the material therefore might be of a more general nature.

In order to find relevant secondary data, the following search terms have been used: revenues and construction contracts, revenue definition, revenue recognition, IFRIC 15, IAS 11, IAS 18, principle-based accounting systems, IFRS, comparability, substance over form, reference by stage of completion, harmonization (de jure/de facto)

2.4 Interviews

2.4.1 Interview method

Our main focus within the qualitative approach has been interviews. Interviews are a flexible method of information gathering as ideas can be followed up and emotions, tone of voice etcetera can be included in the analysis in a way that is more or less impossible in surveys. Furthermore, in interviews there is a possibility for follow-up questions which can provide a deeper understanding of the issue. Drawbacks with the interview method are that it is rather time consuming and it is also a subjective method which can result in risks for bias in the results. The risk for bias can be reduced by being aware of the problem and constantly aiming to minimize effects that can result in bias. This can be done by remaining neutral during the interview even if one might have strong opinions on the subject. Avoiding asking leading questions will also give a higher reliability (Bell, 1995).

In our thesis we have chosen to use interviews for our empirical data collection. Earlier studies by, for example Wågberg and Zackrisson (2010) and Altunkaynak and Hanouch (2012), have found that the companies’ account for revenues from construction of cooperative apartments differently despite following the same regulations. To be able to understand the reasons for this difference between the companies, which is the purpose of the thesis, we are of the opinion that interviews were required. This is because there are only a few studies on the subject, making it impossible to find enough information about the reasons for the differences simply by reading the financial statements. The reliability in this thesis was strengthened by using follow-up questions to make sure that we had understood the respondents correctly. We are of the opinion that we did benefit from the ability to listen to the respondent’s tone of voice when answering during the interviews because this made it easier for us to understand the respondent’s opinion on the subject.

2.4.2 Selection of companies and segment

Our aim has been to focus only on major Swedish construction companies. Since IFRIC 15 is the central issue in our thesis we have only chosen companies that are listed and therefore obligated to establish their consolidated reports according to IFRS. Our aim has also been to
select companies that construct seemingly similar real estate in order to make justified comparisons and conclusions. Having these criteria in mind, we chose the following companies: Skanska, NCC, Peab and JM (Nasdaq OMX Nordic, 2013). These four companies are the only listed companies that construct cooperative apartments in Sweden. These companies consider each other in their financial reports for 2011, except for Skanska, which does not mention JM as their biggest competitors for real estate’s constructions in Sweden.

We have chosen to focus only on the construction of cooperative apartments because that seems to be the area where most of the accounting divergence occurs. Furthermore, this allowed us to keep our thesis more focused and structured and not risk the study to be too shallow. We have also chosen not to study companies outside of Sweden, even if they are obligated to follow IFRIC 15. This choice was made because it is our opinion that accounting in other countries may have more or less elements from the national accounting and also due to the fact that housing cooperatives do not exist to the same extent and format as in Sweden (SBC Vårbohem, 2013). If we had studied companies outside Sweden, there would probably have been additional and different factors to take into account when analyzing, which may have led to a weaker analysis and conclusion.

2.4.3 Selection of interview respondents

We conducted two rounds of interviews at each of the four companies and a third interview with the companies’ signing auditors. The first interview was about the construction process for cooperative apartments. The aim of this interview was to understand each part of the process and when it occurs. For this we needed to interview someone with an overall view and knowledge about the business transactions that occur during the process. We found that a project developer, or similar, for each of the four selected companies was the most suitable person in this regard. At the interviews with NCC and Peab two persons participated at the same interview occasion. The interview about the construction process was necessary in our thesis to gather the background information about the business transactions and then apply that information to the accounting issues to be able to study if the possible differences in business transactions had a connection to the divergence in the accounting application. The results and information collected by the interviews are presented in part 4.2 ‘Timeline - Business transactions in construction of cooperative apartments’.

<table>
<thead>
<tr>
<th>Company</th>
<th>Respondent</th>
<th>Position at the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCC</td>
<td>Jeanette Sundvall</td>
<td>Administrator NCC Housing</td>
</tr>
<tr>
<td></td>
<td>Lars-Göran Petersson</td>
<td>Project Manager NCC Housing</td>
</tr>
<tr>
<td>Peab</td>
<td>Mikael Larsson</td>
<td>Sales Manager</td>
</tr>
<tr>
<td></td>
<td>Claes Rudhag</td>
<td>Project Developer</td>
</tr>
<tr>
<td>JM</td>
<td>Andreas Kandre</td>
<td>Project Developer Manager</td>
</tr>
<tr>
<td>Skanska</td>
<td>Katarina Widén Allansson</td>
<td>Project Manager</td>
</tr>
</tbody>
</table>

The second interview was about IFRIC 15, i.e. how it is applied in practice and the reasons for this. The aim was to examine how the business transactions are being reflected in the financial statements and if there seems to be any interpretation difficulties when applying
IFRIC 15. This interview about IFRIC 15 was needed to be able to apply the knowledge we gathered from the interviews about the construction process to find out what is causing the divergence in practice. We also needed to find out which arguments and criteria were crucial for the company when applying IFRIC 15 in order to understand the divergence. For this part we found economists with knowledge about consolidated financial reports and IFRIC 15 to be the most suitable persons to interview. The respondents were found by searching for respondents in earlier studies about IFRIC 15, for example Wågberg and Zackrisson (2010) and Altunkaynak and Hanouch (2012). We also looked into which person from each company had been the representative in the comment letter regarding IFRIC 15 from the four companies. By doing this we knew the names of some potential respondents that we found suitable to interview. In some cases they were willing to participate and if not, they redirected us to individuals more suitable to interview. The results and information collected by the interviews are presented in part 4.3 ‘Empirical data regarding IFRIC 15’.

<table>
<thead>
<tr>
<th>Company</th>
<th>Respondent</th>
<th>Position at the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCC</td>
<td>Gunnar Bäckström</td>
<td>Group compliance officer (75 %)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior adviser accounting special projects (25%)</td>
</tr>
<tr>
<td>Peab</td>
<td>Paul Ohlsson</td>
<td>Group Accounting Manager</td>
</tr>
<tr>
<td>JM</td>
<td>Peter Kindstrand</td>
<td>Financial director</td>
</tr>
<tr>
<td>Skanska</td>
<td>Katarina Bylund</td>
<td>SVP Reporting</td>
</tr>
</tbody>
</table>

The third interview was conducted with the signing auditors for the four construction companies. We found these respondents by looking in the companies’ financial statements from 2011. The aim with this interview was to find out more about which factors are crucial for the applied method in regards to revenue recognition. The interviews were done to get an even deeper understanding about the issue by getting one more respondent that is independent yet familiar with the subject and have practical experience of the issue. The interviews with the signing auditors were also done to be able to verify the information from the respondents at the construction companies. The information that we wanted to verify was especially what criteria are crucial for the accounting method used in the companies, since the signing auditors are the ones that have to approve the accounting method for revenue recognition. By being able to verify the earlier answers from the construction companies’ economists it strengthened the validity in the thesis. Three of the contacted auditors had the opportunity to answer our questions. The last one, the signing auditor for NCC, wanted the construction company to authorize him to speak to us. NCC, however, did not reply back to him and therefore he could not answer our question and be a part of the thesis. The results and information collected by the interviews are presented in part 4.3 ‘Empirical data regarding IFRIC 15’ together with the presented information from the economists at the construction companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Audit company</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peab</td>
<td>KPMG</td>
<td>Alf Svensson</td>
</tr>
<tr>
<td>JM</td>
<td>Ernst &amp;Young</td>
<td>Jonas Svensson</td>
</tr>
<tr>
<td>Skanska</td>
<td>KPMG</td>
<td>George Pettersson</td>
</tr>
<tr>
<td>NCC</td>
<td>PwC</td>
<td>Håkan Malmström - not participated</td>
</tr>
</tbody>
</table>
2.4.4 Interview structure

Interviews can be structured, semi-structured and unstructured. Structured interviews are similar to surveys in the sense that clear, strict and pre-determined questions are used. Semi-structured interviews are the most common kind of interview and their aim is to give the respondent the possibility to talk rather freely as long as it stays within the theme of the interview. An unstructured interview is informal and not at all based on pre-determined questions. Instead, the respondent talks freely with no guidelines and the direction in which the interview is going depends solely on the respondent (Bell, 1995).

In this thesis semi-structured and structured interviews have been used. At the interview about the construction process, we used a semi-structured interview. It is our opinion that semi-structured interviews were the most suitable option to learn about the underlying process since it allowed us to be flexible enough to let the respondent express his/her thought and ideas, and lead the interview in new and interesting directions depending on the situation but still make sure that it stayed within topic. This type of structure was preferable because despite our lack of previous knowledge about the subject, we were able to learn the full picture of the process. A structured interview could have limited the answers if our questions were not complete because of our lack of previous knowledge about the process.

At the interview with the economists at the construction companies and with the signing auditors, we used a more structured kind of interview to gather information about the accounting issues. We did this because the topic was not as wide as the interviews about the construction process; instead, we needed more specific information about the accounting in regards to IFRIC 15. Issues in this part need to be analyzed based on pre-determined theory and it was therefore of great importance that certain issues were covered. Structured interviews helped make sure that all relevant topics actually were addressed, making the analysis easier.

2.4.5 Interview guide

In order for the interview method to be successful, it is of great importance to create a proper interview guide. The interview guide should contain the topics that will be covered during the interview and in what order they will be addressed. Depending on the structure of the interview, there can either be an overview of the topics or actual interview questions. To ensure that the interview contributes effectively to the purpose of the thesis, the interview guide should always be based on the research questions (Kvale, 1997). Our interview questions were created on basis of the research questions and the purpose of the thesis. After creating questions from this point of view, we also searched for earlier studies about the subject to get inspired and to be sure that we did not miss any important issue, both regarding

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1 See Appendix for interview guide
questions and topics. Due to the fact that we had a very limited number of suitable respondents, we did not consider test interviews to be possible.

2.4.6 Conduction of interviews

Interviews with the construction companies about the underlying construction process were personal interviews. These respondents were located in Gothenburg and therefore we were able to meet them in person. The interviews with the economists at the construction companies were telephone interviews since the most suitable respondents on this issue were situated at the headquarters located rather far away from us. For the interviews with the signing auditors, we sent one question by email to the respondents. The three respondents that had the possibility to answer thought, however, it would be better to have a short discussion by phone and therefore we got the answers through a telephone interview instead. We chose to use an email question because of the fact that the auditors we wanted to interview were the signing auditors, which indicated that they had a high position in the company and situated rather far away from us, and therefore assumingly very busy. Also having taken into account that it currently is high season for auditors, we considered it difficult for them to have time to give a full interview. The interviews with the signing auditors were only a complement to the earlier interview with the economists at the construction companies, and we thereby found it enough with one question to get the requested information.

No active choice in regards to interview form has been made. Instead, we have focused on getting the most suitable respondent and the interview form has been a result of that. The outcome, despite not doing an active choice, was preferable since, according to Jacobsen (2002), semi-structured interviews, which we used for the underlying construction process with the construction companies, are suitable in personal interviews. Jacobsen (2002) also says that a structured form, which we used for the economists at the construction companies and the signing auditors, is better for telephone interviews since this form requires more specific questions.

A great advantage with personal interviews is that a relaxed atmosphere is usually created and this makes it easier to address sensitive topics. This was preferable in the interviews about the construction process because we wanted the respondent to feel safe and confident to be able to take the initiative and speak freely about the process instead of being dependent on our questions. These positive effects with a personal interview are more or less lost in telephone interviews, and can be related to studies indicating that untrue information occurs more frequently in telephone interviews, which of course affects reliability negatively. A great advantage with telephone interviews is, however, that there is much less of a risk for the respondent to be affected by the presence of the interviewers. For the interviews with the economists at the construction companies and with the signing auditors, where we used telephone interviews, our focus was to get clear, correct and understandable answers on one or several specific questions to be able to fulfill the purpose of the thesis. A structured interview with a very knowledgeable person was then preferable and the earlier mentioned losses that can occur in telephone interviews were not considered crucial as we did not think it
would affect the outcome in a great extent. Some loss in information might still have occurred due to the fact that we found it harder to have a long and natural conversation over phone compared to a personal interview, and therefore the time for reflection and the ability to come up with suitable follow-up questions was sometimes limited. We handled this problem by requesting the possibility to send questions later on by email if something was missed during the interview.

After working with the thesis and the data collected from the interviews some unanswered questions came up and also some uncertainties in the data. To be sure and to get all the needed material, we used the ability to send follow-up questions by email to the respondents. Questions were sent to all of the respondents, excluding the auditors, and they all replied. Therefore, we could eliminate uncertainties and develop earlier answers from the respondents.

2.4.7 Recording and transcription of interviews

With the permission of the respondents, the interviews were recorded. This enabled us to focus on listening to the respondent and asking relevant follow-up questions rather than constantly taking notes. During personal interviews, less note-taking will also enable more eye contact and a more natural conversation atmosphere, which can help create a better flow in the interview. Recording will also be advantageous in case of citation and if the notes are incomplete. A risk with recording is, however, that it creates a false sense of security for the interviewer and results in inadequate notes, which will make it very difficult to summarize the interview (Jacobsen, 2002). We experienced it as positive to record the interviews because it allowed one person to ask most of the questions and the other person to take some notes but also fill in with questions if necessary. The recording was also advantageous to us in the sense that gaps in the notes could easily be filled in and errors could be corrected with the use of the recording. During the personal interviews, as mentioned before, it was important to create a familiar atmosphere in order to make the respondent feel comfortable and speak freely. This was partly achieved through recording since it enabled us to have eye contact with the respondent, and also to integrate in the conversation and thereby contribute to a familiar atmosphere during the whole interview.

According to Kvale (1997), it is of great importance to structure the empirical work into writing to give an overview of the gathered data. In order to do this, transcription is necessary. The transcription process can be assumed to be simple, but it is in fact a great deal of interpretation involved in this phase. To minimize the risk of interpretation errors and to achieve reliability, one person has transcribed based on notes and the other person based on the recording. These versions were then compared and in cases where different interpretations occurred, these were discussed and solved by listening to the recording together an additional time. For the interview with the economists at the construction companies, we also sent a transcript summary afterwards for confirmation from the respondent to ensure the reliability in the empirical data.
2.4.8 Method of analysis of empirical work

In the thesis we have conducted interviews with four companies and at these companies we have interviewed both a respondent about the construction process for cooperative apartments, and also a different respondent about revenue recognition when applying IFRIC 15. We also interviewed the signing auditors for the companies. After the interviews we read through the transcript material and realized that the respondents, both about the construction process and with the economists together with the signing auditors, had similarities in the answers and arguments. Therefore, we found that it would be better not to separate the companies because of the major risk for recurrences. To enable current comparisons, we instead decided to present all the material from the interviews with all the companies about the construction process together. In a separate section we chose to present all the material from the interviews with the economists and the signing auditors together. To be able to find a way to do this, we were influenced by Grounded theory. Grounded theory means that the empirical data is being interpreted, sorted, summarized and compared based on categories or core words (Mella, 2007).

In our thesis we therefore extracted core words in the empirical data by finding the words that had a connection to the research questions. Since our research questions aim to examine the differences in the business transactions and the arguments for the applied accounting method, the business transactions and the arguments became our core words. In other words, we based our core words on the research questions and by doing so, the used core words clearly contributed to achieving the purpose of the thesis. We went through all the transcript interview material, piece by piece, and took out the core words. The material from each of the companies was then assembled based on the found core words. This procedure was done with the interviews about the construction process as well as the interviews with the economists and the auditors. Because the arguments were similar between the respondents, it was relatively easy to find the core words in the material. In a few cases the material from the interview about the construction process and the material from the interview with the economists at the construction companies were conflicting. To be able to maintain a high validity, we sent follow-up questions to both respondents to make sure that we got the correct information. Material that did not contribute to fulfilling the purpose was sorted out and omitted from the thesis.
3. Theoretical framework

This section begins with a presentation of the harmonization of accounting regulations, principle-based accounting system and the comparability of financial information. Thereafter the process with developing International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRICs) will be addressed. This is followed by a presentation of revenue and then a summary of International Accounting Standard - IAS 11 and IAS 18. The section will also include a summary of the Interpretation IFRIC 15 and its impact on accounting.

3.1 Harmonization

The main purpose of an international accounting system such as IFRS is to achieve harmonization in the financial reports (Mogul, 2003). Harmony can be considered achieved when it is probable that a particular accounting method will be used in all firms in all countries where the circumstances are identical (McLeay et al., 1999). There are two types of harmonization commonly referred to in research: de facto harmonization and de jure harmonization. De facto refers to the actual harmonization in practice whilst de jure refers to harmony of accounting regulations (Tay and Parker, 1990). De facto harmonization can be considered to increase the degree of comparability of financial information between companies and countries. This view, however, ignores the possibility that the reason why companies account for a transaction differently is because circumstances in regards to the transaction in fact differ which would therefore justify different accounting methods (Herrmann and Thomas, 1995).

De jure harmonization is as previously mentioned, achieved by harmony in the accounting regulations. IASB has, since its founding, strived to achieve harmony in accounting principles. Benefits with achieving de jure harmonization are that it simplifies evaluation of performance of companies and ensures that the financial information is reliable (Mogul, 2003). De jure harmonization would usually, but not necessarily result in de facto harmonization (Cañibano, and Mora, 2000). A milestone in regards to de jure harmonization was reached in 2002, when IASB and their counterpart in the USA, the Financial Accounting Standards Board (FASB), signed The Norwalk Agreement. By signing this agreement both parties agreed to strive for achieving convergence by creating a set of key international standards regarding certain specific accounting issues (Mogul, 2003).

In order to achieve harmonization, accounting regulations need to be less strict. According to Tay and Parker (1990), this can be achieved if regulations apply only to some companies rather than to all companies, or if regulations are carried out in an accounting standard rather than in the law. A third way to make regulations less strict is to allow for personal judgment instead of giving a precise definition. If these criteria are fulfilled, regulations are considered to be less strict and less strict regulations are associated with harmony. Strict regulations, on the other hand, are considered to create uniformity rather than harmony.
McLeay et al (1999) agree with the view that harmony is not created simply because there is one uniform method to apply, but rather if there is a number of methods that take into account the different circumstances that can be associated with a transaction. This can be considered less strict and is therefore in agreement with the view of Tay and Parker (1990). IASB, however, does not seem to share this view. The Conceptual Framework whose purpose is to support users of IFRS is stated to assist IASB in the promotion of harmony by providing a basis for reducing the number of accounting alternatives. IASB thus intends to achieve harmonization by not permitting choices in accounting treatment (IASB, 2013a: Conceptual Framework, page A11 and A25).

3.2 Characteristics of a principle-based accounting system

A principle-based accounting system is generally characterized by lacking clear guidance. It is therefore required to exercise personal judgment in order to apply the accounting standards correctly. Rule-based accounting systems, on the other hand, provide greater details for implementation and little or no judgment is therefore necessary. Most accounting systems contain a certain degree of rules, but when taking into account the specificity of these rules, it is generally accepted to classify IFRS as a principle-based accounting system (Collins et al, 2012).

Proponents of principle-based accounting systems argue that even though the possibility for interpretation may result in divergence in application, this risk decreases as well-trained professionals exercise good judgment (Collins et al, 2012). IASB’s view is that a principle-based approach is preferable since enabling professional judgment will help ensure that it is in fact the economic substance of the transaction that is being reflected in the financial reports (Tweedie, 2008). Even though the American accounting system - US GAAP - is rule-based, both the Financial Accounting Standards Board (FASB) and Securities and Exchange Commission (SEC) agree with IASB and acknowledge that principle-based accounting systems may force preparers’ focus on the economic substance of the transaction rather than its form (FASB 2002a; SEC 2003).

The lack of bright rules in IFRS is clearly shown in the two standards regarding revenue: IAS 11 and IAS 18. Both these standards contain very general concepts and require examination of circumstances which make them subject to a great deal of professional judgment. These two standards also happen to be among the oldest of all standards within IFRS and have not been updated since 1993 (Wüstemann and Kierzek, 2005). This indicates that they are not fully adjusted to the complexity of today’s business transactions. Having both the general concepts and the lack of update in mind, the need for further guidance by an interpretation (IFRIC) might be understandable.
3.3 Comparability

One of the most important reasons why financial reporting standards are needed is to increase the comparability of financial information (IASB, 2013b: Conceptual Framework, BC p 3.33). According to Trueblood (1966), comparability in financial information is achieved when accounting standards make “like things look alike, and unlike things look different” (Trueblood, 1966 pp. 189). In the Conceptual Framework, IASB seems to be of a similar opinion and states that for information to be comparable “like things must look alike and different things must look different. Comparability is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different” (IASB, 2013a: Conceptual Framework, p QC23). IASB also states that the usefulness of information depends on whether it can be compared between different entities and between different periods of time (IASB, 2013a: Conceptual Framework, p QC20).

The fact that IFRS is a principle-based accounting system can be considered to affect comparability negatively since the absence of clear rules makes individual judgment and interpretation crucial. With individual judgment comes a risk that similar transactions will be accounted for differently and this situation can create uncertainty regarding the comparability of financial information (Forgeas, 2008). Zeff (2007), however, argues that judgment and interpretation is necessary in order to achieve comparability in a principle-based accounting system.

EFRAG, an organization whose purpose is to assist the European Commission by providing advice on the technical quality of accounting standards (EFRAG, 2013), agrees with this view. In regards to IFRIC 15, EFRAG is aware that even though its purpose is to provide guidance, some uncertainty still remains. Their opinion is, however, that judgment will always be needed in a principle-based accounting system and their conclusion is therefore that IFRIC 15, despite that some uncertainty remains, should be considered to have increased the comparability of financial information (EFRAG, 2008).

It might not be the general view that IFRIC 15 has enhanced comparability, but it is generally accepted that the adoption of IFRS has resulted in increased comparability of financial information between companies situated in different countries. But it is rather because the implementation eliminated many former international differences in accounting standards than the fact that it is principle-based that increased comparability was achieved (Ball, 2006). A study by Lang et al (2010) shows that IFRS adoption did not increase accounting comparability relative to a control sample of non-adopting firms. Compared to firms using local generally accepted accounting principles (GAAP), the level of cross-country comparability is nearly identical. The results of the study therefore conclude that there is little evidence that IFRS increased true comparability. This does not come as a surprise to Lang et al (2010), who suggest that a possible reason for this might be that local GAAP were to some extent designed to reflect country specific elements. The internationally uniform IFRS do not necessarily consider these elements and justified variations in accounting standards were therefore sacrificed.
An organization that agrees with the view that principle-based accounting system does not necessarily leads to increased comparability of financial information is the Financial Accounting Standards Board (FASB). FASB’s primary purpose is to develop generally accepted accounting principle (GAAP) within the United States. These standards are rule-based and, unlike IFRS’, require little or no interpretation. A proposal to shift towards ‘principle-only’ standards was rejected with the argument that such standards could lead to situations in which professional judgment, even if made in good faith, can result in different interpretations for similar transactions (FASB, 2002a). The requirement for interpretation and therefore the possibility for judgment will, according to FASB, result in significant loss of comparability (SEC, 2003).

Frings et al (2012) share the opinion that a principle-based accounting system results in impaired comparability since interpretation and individual judgment enable manipulation. It might be considered that IAS 18 is more principle-based than both IAS 11 and IFRIC 15 since this is the original revenue standard, and the latter was issued in order to provide guidelines concerning issues in a specific branch (IASB, 2013b: IFRIC 15 BC p 5). If so, one could relate the opinion of Frings et al (2012), that principle-based accounting leads to impaired comparability because of increased risk for manipulation to IASB’s conclusion that the shift from IAS 11 to IAS 18 will enable manipulation in the financial reports, and therefore result in inferior comparability (IASB, 2013b: IFRIC 15 BC p 14c).

3.4 The process of developing standards and interpretations

IASB, which is a part of the IFRS Foundation, has as task to develop new and already existing standards. By doing this, they help improve the financial reporting and create harmony and enhance comparability. The process with developing standards starts with research about a specific subject that is possibly a problem for the users of the financial reports. If IASB thinks it is a problem, it will then be on their work programme. Thereafter they research the subject and its problem, which then leads to the Discussion Paper. The Discussion Paper is not compulsory and in some cases not needed for the process. If IASB have compiled a Discussion Paper it is possible for the public to comment on it. After the comments follow an Exposure Draft, which the public can also submit comments on. After these comment letters, the organization works on the standard once again and after that it is time to publish a new standard. In cases where it is hard to develop a new standard, it can take several rounds of proposals and comments before it is finally a published standard (IASB and IFRS Interpretations Committee, 2013). Once a standard is issued, it must first be approved by EU before it becomes compulsory to apply (EFRAG, 2013).

IFRIC, which is the second part of the IFRS Foundation, is tasked with developing interpretations of issues arising within already existing standards. Interpretations are published because a specific problem or question exists that can be explained more generously than it has been in the standards. Because it is a kind of aid to the standard, the interpretations are of a more narrow extent compared to standards. An interpretation is not allowed to change or conflict with the Conceptual Framework or an IFRS (IASB and IFRS
Interpretations Committee, 2013). The Conceptual Framework is developed to simplify and assist the work in the future with new and already existing standards (IASB, 2013a: Conceptual Framework, page A19). Interpretations by IFRIC are a part of a standard so even if it is the Interpretation Committee that develop them, IASB has to approve them (IASB and IFRS Interpretations Committee, 2013).

3.5 Revenue

Revenue is one of the most important parts in the financial reports and exists in every active company’s accounting. In addition to being one of the most important parts, it is also one of the most difficult and complex issues in the accounting (FASB, 2002b; SEC, 2001).

One difficulty is the definition of revenue. At first sight the definition of revenue can be seen to be easy but it is not. In the literature the authors discuss several definitions and their conclusions about what the definitions of revenue are sometimes contradict with other author’s definition (Kam, 1990). Another difficulty is at what specific time revenue should be recognized. Revenue should not be recognized until it is realized or earned by the company (SEC, 2001). This is crucial but not always so easy in practice. One example is in the construction industry when constructing cooperative apartments. For those transactions there is a difference between the companies when the revenue is recognized in the financial statements (Johansson, 2010a).

Being a principle-based accounting system, the standards regarding revenue IAS 11 and IAS 18 do not provide specific solutions for all difficulties in practice. Professional judgment is often required and can be positive in the sense that it helps ensure that it is the economic substance of the transaction that is being reflected (Collins et al, 2012; Tweedie, 2008). Professional judgment might, however, result in a risk for manipulation (Frings et al, 2012). This risk can be considered to decrease the reliability of the financial information. Revenue is very important for investors and therefore it is crucial that the reality is correctly reflected in the financial information so the users can be able to make correct decisions based on the financial information (SEC, 2001).

3.6 IFRIC 15

An interpretation is issued when a certain area within existing standards is in need of further guidance. In the case of IFRIC 15, it was issued to help clarify when revenue from the construction of real estate should be recognized. The existing standards - IAS 11 and IAS 18 - did not offer much guidance on the issue resulting in divergence in practice. The purpose of IFRIC 15 was therefore to help determine when these standards should be applied (IASB, 2013a: IFRIC 15 p 6).
Whether IAS 11 or IAS 18 should be applied depends not only on the terms in the agreement but also on all surrounding facts and circumstances. Judgment is therefore required with respect to each agreement (IASB, 2013a: IFRIC 15 p 10).

IAS 11 should be applied when the following definition of a construction contract in IAS 11:3 is met:

‘a contract specially negotiated for the construction of an asset or a combination of assets.’

This criterion is met when the buyer is:

“able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in process (whether or not it exercises that ability)” (IASB, 2013a: IFRIC 15 p 11).

If this criterion is met, revenue should be recognized by reference to the stage of completion given that the outcome of the agreement can be estimated reliably (IASB, 2013: IFRIC 15 p 13). If this criterion is not met, in other words if the buyer only has limited ability to influence the design of the real estate, it is considered to be an agreement for the sale of goods and IAS 18 should be applied (IASB, 2013a: IFRIC 15 p 12). This usually means that revenue should be recognized once the real estate is fully completed and delivered to the buyer (IASB, 2013b: IAS 18 BC p 3).

An illustrative example accompanies IFRIC 15 but is not part of it. In one of these examples an entity is developing residential real estate in terms of individual units (apartments). The marketing process begins while construction is still in progress. Buyers enter into a sale agreement that gives them the right to acquire a specified unit when it is ready for occupation. The buyer pays a deposit once the agreement is being signed, and also pays a progress payment between the time of the initial agreement and the contractual completion. The balance of the purchase price is paid when the buyer obtains possession of their unit. The buyer has only limited influence on the design and the agreement is therefore not to be considered a construction contract. It should instead be accounted for according to IAS 18 and revenue should be recognized when control and the significant risks and rewards of ownership are transferred, which occurs when the real estate is fully completed (IASB, 2013b: IFRIC 15 BC Example 2).

It might be necessary to split a single agreement into separately identified components. If an agreement, for example, includes sale of land this is to be considered as delivery of goods and should be applied for according to IAS 18. The rest of the agreement might be considered as a construction contract, to which IAS 11 should be applied. The fair value of the total payment for the agreement shall be allocated to each component (IASB, 2013a: IFRIC 15 p 8). Sale of land might not always be determined as a separate component. In some jurisdictions it is considered to be the condominium unit owners, not the buyer that owns the land. In this case,
control and significant risk and rewards are not transferred to the buyer, and therefore the sale of land is not a separable component (IASB, 2013b: IFRIC 15 BC Example 1).

3.7 IAS 18

According to IAS 18 revenue is:

“the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interest, royalties, and dividends)”

(IAKB, 2013a: IAS 18 p 7).

IAS 18 is the most general revenue standard and should be applied to revenues from the following different transactions and events:
- sales of goods
- rendering of services
- use of a company's assets, giving rise to interest, royalties and dividends

(IAKB, 2013a: IAS 18 p 1).

Revenues from sales of goods should only be recognized when some criteria are fulfilled. It is required that the significant risks and rewards are transferred, the entity no longer has any commitment in the ongoing management and that the revenues and the costs can be recognized reliably. It is also required that it is probable that the economic benefits are going to accrue to the entity (IAKB, 2013a: IAS 18 p 14).

3.8 IAS 11

The purpose of IAS 11 is to provide guidelines on how revenues and costs are to be accounted for in a construction contract. This is considered to be an area that needed further regulations, principally due to construction projects often proceeding over several accounting periods, which makes the allocation of revenue and costs a crucial issue (IFRS Foundation, 2012).

According to IAS 11 the definition for a construction contract is:

“a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function of their ultimate purpose or use”

(IAKB, 2013a: IAS 11 p 3).

There are two different kinds of projects according to IAS 11: a project for a fixed price or a cost plus contract. Depending on the type of contract, there are different conditions that need to be fulfilled before the revenue can be recognized (IAKB, 2013a: IAS 11 p 22-23). There are more criteria to be fulfilled in a fixed price contract because of the higher risk that the constructor has (Dobler, 2008). For these kind of projects it is required that both total revenue,
costs and estimation of completion can be recognized in a reliable way. It is also required, as the Conceptual Framework for financial reporting states, that it is probable that the economic benefits are going to accrue to the entity.

When these conditions are fulfilled the revenue and the costs shall be recognized respectively at the stage of completion at the end of the reporting period (IASB, 2013a: IAS 11 p 22). The revenues and costs are then related to the period when the actual work is performed (IASB, 2013a: IAS 11 p 26).

3.9 Impact of IFRIC 15

Upon the issuing of IFRIC 15, IASB expected the main change in practice to be a shift from IAS 11, using the percentage of completion method to IAS 18, recognition of revenue at completion or after delivery. The reason for this is that agreements that used to meet the definition of a construction contract in IAS 11 might no longer meet the definition as interpreted in IFRIC 15. This results in that some construction contracts will now be accounted for according to IAS 18 (IFRS Foundation and the IASB, 2013).

A possible consequence of IFRIC 15 might be that its issuing will be at the expense of faithful representation. Faithful representation is a fundamental qualitative characteristic that has to be fulfilled in order for financial information to be useful (IASB, 2013a: Conceptual Framework, p QC4-5). Faithful representation means that financial information should reflect the substance of the economic event rather than its legal form (IASB, 2013b: Conceptual Framework BC p 3.26). An argument against IFRIC 15 is that IAS 11 better reflects the substance of all construction contracts (IASB, 2013b: IFRIC 15 BC p 14a ) and since the result of IFRIC 15 is a shift from IAS 11 to IAS 18, this can be viewed as a deviation from faithful representation. This view is reinforced by the fact that IAS 18 does not reflect the economic value in the period (IASB, 2013b: IFRIC 15 BC p 14c), which even further indicates that faithful representation will be impaired because of IFRIC 15.

Johansson (2010b) agrees with the view that because IAS 11 reflects the result over time, it better reflects the substance of the construction contract and therefore also the economic reality. Lagerström (1995) also shares this opinion and argues that because IAS 11 allows revenue to be allocated to the time period when the actual work is performed and therefore reflects the economic value in the period, it better reflects the reality of construction contracts. Heurlin (1990) explains that the view IAS 11 expresses is that both receivables and the result emerge gradually as the project proceeds, and it might be considered more relevant to reflect this on-going process in the financial reports rather than only when the project is fully completed. There are, however, consequences with applying IAS 11. Significant risks of the construction are usually not transferred to the buyer until completion of the building. However, by applying IAS 11, a large part of the revenue is recognized before that time.

The general view of EFRAG is that IFRIC 15 will result in revenue for some construction contracts being recognized later and the progress of the contract not being reflected in the
financial statement. They also think that it will involve some costs for the users, for example to categorize contracts, and to read and understand the interpretation. They think that the costs can be significant for some users but that the majority will experience the benefits outweighing the costs. According to EFRAG the benefits are that the interpretation results in a less divergence reporting which give users a better understanding of the financial statements. EFRAG’s view is therefore that IFRIC 15 better reflects the substance of the transaction. Some members in EFRAG are, however, concerned that the shift from IAS 11 to IAS 18 is going to result in loss of relevant information (EFRAG, 2008).
4. Empirical data

The empirical data is presented in three parts. The first part is a short description of the companies researched in the thesis. In the second part the construction process is described and the business transactions occurring during this process are presented. The third part begins with a presentation of the applied accounting methods and continues with the data collected from the interviews with the economists at the construction companies and the signing auditors, which addresses the arguments for the accounting methods.

4.1 Presentation of studied construction companies

SKANSKA
Skanska is a construction company which is active in Europe, Latin America and USA. They have 53,000 employees around the world. The turnover for 2011 was 123 billion SEK. The segment that is responsible for the construction of real estate is called “Residential Development” and it accounts for 7% of the company’s total turnover (Skanska, 2011).

NCC
NCC is active in the Scandinavian countries, Germany, Estonia, Latvia and St Petersburg. The turnover for 2011 was 53 billion SEK and the company has 17,000 employees. Housing development is conducted by NCC Housing and this segment accounts for no less than 31% of the company’s total profit and 15% of its total turnover (NCC, 2011).

PEAB
Peab is a construction company that is active in the Scandinavian countries and their turnover for 2011 was 44 billion SEK. Peab has 15,000 employees around the Scandinavian countries. The company is divided into 3 segments where “Construction” is the one that builds cooperative apartments. The construction segment accounts for 56% of the company’s total turnover (Peab, 2011).

JM
JM is active in the Scandinavian countries’ construction market. They specialize in cooperative apartments but they also build self-contained houses and office buildings. The turnover 2011 was 12 billion SEK and they have 2400 employees. Cooperative apartments are constructed in several segments within the company because they are not only divided into different type of production but also to some extent from a geographical point of view (JM, 2011).
The above events occur in the process for all four construction companies if nothing else is stated and the process spans over several accounting periods. However, the order of occurrence may sometimes differ. The order of the events is not particularly important. Our aim is to create an overall view of the occurring events.

The process begins with the acquiring of land, which can be done either by direct purchase or by allocation from the municipality. Once a plot of land is acquired, the next step is to decide what kind of houses to build. When this is determined, the companies together with construction planners, structural engineers and architects develop a building proposal. With this building proposal in hand, apartments are marketed to potential buyers. A certain number of bookings are required before the process can continue.

The next step is to found a housing cooperative. This is done by appointing an external board, establishing an economic plan and registering at Bolagsverket. Once the housing cooperative is founded, an external and independent part exists to present the building proposal to. The proposal can be accepted or rejected, but the housing cooperative cannot influence major structural elements since these are pre-determined in an earlier stage of the process. If the proposal is accepted, a construction contract between the housing cooperative and the construction company is established and signed, as is a separate contract regarding the sale of land.

Before the construction starts, NCC and Skanska procure external services for economic and technical administration on behalf of the housing cooperative. Peab and JM perform these services themselves.
Since the housing cooperative lacks capital, a construction letter of credit is created to fund the construction. The cost for the letter of credit is paid by the construction company, which also acts as the guarantor for the part of the letter of credit that exceeds the value of the property. Once the construction starts, payments outlined in the letter of credit are gradually paid as the project progresses. In regards to the sale of land, Peab requires the total amount to be paid before the construction starts. NCC requires only 50% to be paid at the start of the construction and the rest is paid upon delivery of the building. Skanska and JM do not separate the purchase price for the land from the construction project. This results in all revenue being received gradually.

When the construction is completed a final inspection is performed, and a few months later all internal revenues and costs between the construction company and the housing cooperative are settled. At this point, the building is legally delivered to the buyer and control, risk and rewards of ownership are transferred from the construction company to the housing cooperative.

Once the construction is completed all construction companies are committed to providing a 5-year guarantee. Peab and JM are also committed to continuing administration services for 2 years after completion of the construction. About 6 months after completion all construction companies are obligated to purchase any unsold apartments. This is by far the greatest risk for the construction companies.

At the housing cooperative’s first general meeting, the board is usually replaced by persons owning apartments in the housing cooperative.

4.3 Empirical data regarding IFRIC 15

4.3.1 Accounting methods - before and after the issuing of IFRIC 15

Since 2010 construction companies have been obligated to follow IFRIC 15. Upon its issuing they were required to evaluate their construction projects seen from the criteria mentioned in IFRIC 15. Skanska used a variant of IAS 11 for the construction of cooperative apartments before the issuing of IFRIC 15. They applied percentage of completion from the time the contracts were signed. After an evaluation of IFRIC 15, Skanska considered a shift towards IAS 18 to be necessary (Skanska, 2011; Skanska, 2010). NCC, who applied IAS 11 (percentage of completion method), also concluded that when taking the criteria in IFRIC 15 into account, a shift to IAS 18 was necessary (NCC, 2010).

Peab applied IAS 11 before the issuing of IFRIC 15. They evaluated their construction projects and considered IAS 11 to still be the proper standard to apply for the construction of cooperative apartments (Peab, 2011). Like all other companies, JM used IAS 11 before the issuing of IFRIC 15. Even after its issuing JM considered their business model to fulfill the criteria established in IFRIC 15 and is therefore still applying IAS 11 (JM, 2011).
4.3.2 Arguments for the applied accounting method

<table>
<thead>
<tr>
<th>Company</th>
<th>Respondent</th>
<th>Position at the company</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCC</td>
<td>Gunnar Bäckström</td>
<td>Group compliance officer (75 %) Senior adviser accounting special projects (25%)</td>
</tr>
<tr>
<td>Peab</td>
<td>Paul Ohlsson</td>
<td>Group Accounting Manager</td>
</tr>
<tr>
<td>JM</td>
<td>Peter Kindstrand</td>
<td>Financial director</td>
</tr>
<tr>
<td>Skanska</td>
<td>Katarina Bylund</td>
<td>SVP Reporting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Audit company</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peab</td>
<td>KPMG</td>
<td>Alf Svensson</td>
</tr>
<tr>
<td>JM</td>
<td>Ernst &amp;Young</td>
<td>Jonas Svensson</td>
</tr>
<tr>
<td>Skanska</td>
<td>KPMG</td>
<td>George Pettersson</td>
</tr>
<tr>
<td>NCC</td>
<td>PwC</td>
<td>Håkan Malmström - not participated</td>
</tr>
</tbody>
</table>

Information about the respondents is an instrument to assist when reading the text, since the following section includes answers from all economists at the construction companies and the signing auditors.

4.3.2.1 Influence on structural design

The ability for the buyer to influence major structural designs of the building is a requirement in IFRIC 15 that all construction companies find strange and irrelevant. Both Ohlsson (Peab) and Kindstrand (JM) suggest that it shows a lack of understanding for the construction industry since almost no projects in full can fulfill this criteria. Ohlsson further argues that one reason why this criterion is especially difficult to completely fulfill in the construction of cooperative houses is that the process differs and that IFRIC 15 focuses more on construction of condominiums than cooperative apartments. This opinion is supported by Svensson (signing auditor for JM), who states that housing cooperatives is exclusively a Swedish phenomenon and IASB, being an international regulator, is not interested in providing further guidelines to such country-specific elements.

Both JM and Peab consider the influence caused by the fact that the board of the housing cooperative has a choice to accept or reject the building proposal to be sufficient to fulfill this criterion. The fact that Peab and JM consider this influence to be sufficient is one of their reasons for applying IAS 11. Skanska and NCC, on the other hand, do not consider this influence to be sufficient and argue that this is one of their reasons for the shift to IAS 18.

4.3.2.2 Transfer of risks and control

For both Skanska and NCC the transfer of risk is the crucial factor for applying IAS 18. They consider it inappropriate to recognize revenue until the point in time when significant risks have been transferred to the buyer.
For Skanska the crucial risk to take into account is the fact that the contracts state a responsibility for Skanska to **buy unsold apartments**. This is a risk that does not cease to exist until the building is fully completed and Skanska does not, therefore, consider it appropriate to recognize the revenue before that time. All other construction companies agree that unsold apartments are a significant risk but only NCC shares Skanska view that this is reason enough to apply IAS 18.

Another crucial risk that NCC takes into account is the buyer’s **possibility to cancel the contract**. This is also a risk that does not cease to exist until the final payment is received, which usually occurs when the building is fully completed. NCC therefore agrees with Skanska that it is not appropriate to recognize the revenue before that time. This argument is not shared by Kindstrand (JM), who does not consider cancellation of contract to be a risk to take into account in regards to revenue recognition. Kindstrand states that contracts have to be fulfilled and cancellation cannot therefore be considered a major risk.

For NCC the matter of **control** is another important factor to consider. Bäckström (NCC), explains that it is NCC that has legal control over the apartments during the construction, and risks and rewards of ownership are not transferred until they are delivered to the buyer. Bäckström considers this to be another reason for applying IAS 18. Pettersson (signing auditor for Skanska), who also apply IAS 18, agrees with Bäckström and considers the crucial factor for when the revenue should be recognized to be the transfer of control.

### 4.3.2.3 Independent buyer

For JM and Peab the crucial factor for applying IAS 11 is the fact that the housing cooperative is considered to be an external and independent buyer. Both signing auditors for JM and Peab agree that this criterion is of great importance and achieved by the fact that the board of the housing cooperative is external and therefore clearly separated from the construction company. For NCC and Skanska the independence of the buyer is not a crucial factor when analyzing which method of revenue recognition to apply.

JM and Peab consider the independence of the buyer to be crucial for applying IAS 11 and state that one argument for the independence is the fact that the housing cooperative **owns the land** on which the building is being constructed. Because the bank that issues the construction letter of credit needs the property as security, mortgage deeds are issued and in order to do this, the land which is part of the property must be legally owned by the housing cooperative. The procedure is, therefore, that all construction companies sell the land at the beginning of the construction. The revenue for the sale of land is, however, not separated but instead recognized along with the project’s total revenue.

The **financing of the construction** is another crucial argument for the housing cooperative’s independence, according to JM and Peab. Since the property is the main security for the construction letter of credit, the housing cooperative is considered responsible for the financing. JM and Peab argue that the fact that the housing cooperative is responsible for the financing shows their independence. The fact that the construction company stands for the
costs for the letter of credit is not considered to be a significant influence since these costs are ultimately paid for by the housing cooperative as they are included in the total costs for the construction.

4.3.2.4 Reflection of the reality

The companies do not only account for revenue differently: they also have different arguments for the applied method and their opinion about which method best reflects the reality also differs. Kindstrand (JM) and Ohlsson (Peab) consider IAS 11 to better reflect the reality of their projects when construction cooperative apartments. Bäckström (NCC), on the other hand, finds that IAS 18 is appropriate to apply since the substance is in fact equated with sales of apartments. Bylund (Skanska) thinks that a problem with IAS 18 is that information is presented at a stage too late to be useful for internal management.
5. Analysis

This analysis section brings the theoretical framework and the empirical data together. In this section findings in the empirical data are addressed and discussed based on the theoretical framework.

5.1 Business transactions and applied accounting method

Our study shows that the business transactions in regards to the construction of cooperative apartments are very similar between the four companies examined. Nevertheless, the companies account for revenue differently in practice. Peab and JM recognize revenue according to IAS 11, and NCC and Skanska according to IAS 18.

In order for financial information to be useful, it has to be comparable. According to both IASB’s Conceptual Framework (2013a) and Trueblood (1966), comparability is achieved when “like things look alike and different things look different”. Since our study shows that identical business transactions are not being reflected in a similar way in the financial reports, comparability can therefore not be considered achieved. A possible reason for the lack of comparability could, according to Frings et al (2012), be explained by the fact that IFRS is a principle-based accounting system and therefore requires personal judgment. Forgeas (2008) further discusses the principle-based accounting system’s effect on the comparability and argues that along with judgment comes a risk that similar business transactions are accounted for differently. This view is confirmed in our study.

Our study does not only show that there is a lack of comparability in the financial information. It also indicates that harmony is not achieved. Harmony exists when it is probable that a certain accounting method will be applied at all times when the circumstances are identical (McLeay et al, 1999). Our study, however, shows that the circumstances are identical but even so, both IAS 11 and IAS 18 are applied, which suggest that harmony is not achieved. Our study indicates that the lack of harmony to a great extent is caused by the room for personal judgment. Personal judgment does not, however, necessarily result in decreased harmony, according to Tay and Parker (1990), who argue that personal judgment indicates that regulations are less strict and less strict regulations are associated with harmony. This view is, however, not confirmed in our study since it shows that it is not probable that a certain accounting method will be applied at all times when the circumstances are identical, which means that harmony is not achieved. According to Mogul (2003), creating harmony is IASB’s main purpose and the lack of harmony indicates that IASB has not fully succeeded in fulfilling this purpose.
5.2 Arguments for applied accounting method

5.2.1 Influence on structural design

The only specific criterion that can be found in IFRIC 15 is that the buyer has to be “able to specify the major structural elements of the design” in order to apply IAS 11 (IASB, 2013a: IFRIC 15 p 11). If this criterion is met, revenue should be recognized according to IAS 11: if it is not, IAS 18 should be applied (IASB, 2013: IFRIC 15 p 12-13).

Our study shows that all housing cooperatives have the same ability to influence the major structural elements of the design due to the fact that the board of the housing cooperative can accept or reject the building proposal. Since Peab and JM apply IAS 11, they consider this influence to be sufficient. Skanska and NCC, on the other hand, apply IAS 18 partly due to the fact that they consider the same influence to be insufficient. The fact that the ability to influence is identical, but that this ability is considered inequality sufficient, suggests that personal judgment is a reason for the divergence in practice.

By containing a rather specific criterion, IFRIC 15 can be considered to be slightly more rule-based than IFRS in general. This could be explained by the fact that the purpose of interpretations is to provide further guidance. (IASB and IFRS Interpretations Committee, 2013) Our study, however, shows that this specific criterion is still subject for interpretation since the same influence is considered inequality sufficient. This indicates that even if the purpose of IFRIC 15 was to provide guidance by having elements of a rule-based accounting system, there is still interpretation, which is characteristic for a principle-based accounting system. Even though the construction companies take the criterion in IFRIC 15 into account, none of them consider it to be crucial for whether IAS 11 or IAS 18 should be applied. The reason for this is because they find the criterion quite irrelevant. It is very unusual that the buyer has the possibility to influence to a great extent, and therefore, the construction companies consider it strange that this criterion should be crucial for whether or not IAS 11 should be applied. The fact that IASB has chosen to use a criterion that is considered irrelevant in the industry might indicate that IASB has a lack of understanding for the construction industry according to Ohlsson (Peab) and Kindstrand (JM). This could be considered remarkable since IASB and IFRS Interpretations Committee (2013) explains that during the beginning of the process of developing an interpretation or standard, research about the subject is being performed. During this stage, one could presume that the regulators should have learned enough about the industry to come up with a criterion that is relevant and applicable in practice.

IASB and IFRS Interpretations Committee (2013) further explain that an interpretation should only be issued if a problem exists. This might have been the case since a clear distinction between IAS 11 and IAS 18 did not seem to exist. However, all construction companies applied IAS 11 or a very similar method before the issuing of IFRIC 15, which can be considered preferable from a comparability point of view. Another factor that indicates that there might not have been a problem in practice is that most of the construction companies
find IAS 11 to be the standard that best reflects the substance of their business transactions and were therefore content with the situation before the issuing of IFRIC 15.

Another possible reason as to why a criterion that is considered irrelevant in practice is used in IFRIC 15 could be because of de jure harmonization. De jure harmonization is achieved by harmony in accounting regulations and has been enhanced by the implementation of IFRS (Mogul, 2003). De jure harmonization does not, however, necessarily result in de facto harmonization as international regulations might overlook country specific elements that former local GAAP were designed to reflect (Lang et al, 2010). This might be the case as both Ohlsson (Peab) and Svensson (signing auditor for JM) argue that IFRIC 15 is not fully applicable to the construction of cooperative apartments since this is Swedish phenomenon that does not exist elsewhere. The fact that the example in Basis for Conclusion, which is intended as a guidance when applying IFRIC 15, describes a situation more similar to the construction of condominiums than cooperative apartments supports this view.

5.2.2 Transfer of risks and control

Instead of focusing on the influence on the design, our study shows that other arguments for the applied accounting method are presented. Skanska considers the transfer of risk to be crucial for revenue recognition. This is in accordance with IAS 18 p 14, which states that revenue should not be recognized until significant risks have been transferred to the buyer. Skanska considers the most significant risk to be their obligation to purchase unsold apartments. This risk does not cease to exist until the building is fully completed and Skanska therefore does not recognize revenue until that point in time. NCC also focuses on the transfer of risk. NCC, however, considers both the purchasing of unsold apartments and the cancellation of the contract as significant risks and therefore do not recognize revenue until these risks cease to exist which is when the building is fully completed. Kindstrand (JM) agrees with Skanska and NCC in the fact that unsold apartments are a significant economic risk. Kindstrand does not, however, consider this risk to be crucial enough to have to apply IAS 18 when interpreting IFRIC 15. Regarding cancellation of contracts, Kindstrand does not agree with NCC that this is even a risk since contracts have to be fulfilled. This is, therefore, not an issue to take into account for JM when analyzing which method of revenue recognition to apply.

The obligation to purchase unsold apartments is identical between all construction companies but this risk is only crucial for NCC and Skanska. This indicates that there is room for interpretation, which may affect the comparability of the financial information since identical circumstances are being reflected both with IAS 11 and IAS 18 in the financial reports. This is not preferable since the Conceptual Framework (IASB, 2013a: p QC23) states that “like things must look alike”. It also affects the harmony negatively since, according to McLeay et al (1999), harmony is achieved when a particular accounting method will be used in all companies with identical circumstances, which cannot be considered fulfilled in this case.
5.2.3 Independence of the housing cooperative

The most crucial factor for JM and Peab is the independence of the housing cooperative. JM and Peab consider the housing cooperative to be independent because it has an external board, owns the land on which the building is constructed and is responsible for the financing of the construction. JM and Peab consider this to be sufficient enough to apply IAS 11.

Independence of the buyer is not mentioned as a specific criterion in IAS 11, IAS 18 or IFRIC 15. In IFRIC 15, however, it is stated that all surrounding facts and circumstances in regards to the agreement should be taken into account. These surrounding facts and circumstances are not further explained. To use such a vague expression enables different factors to be included. This indicates a large room for interpretation and personal judgment therefore becomes of great importance since the selections of factors effects which accounting method to apply.

Our study shows that the housing cooperative is more or less as independent in contracts with all construction companies. Skanska and NCC do not, however, consider this independence to be the most important factor when analyzing which accounting method to apply compared to JM and Peab, who consider this to be crucial. Our study, however, shows that housing cooperatives in contracts with JM and Peab can be considered to be less independent due to the fact that these construction companies perform the administration services for the housing cooperatives both during and after the construction. Skanska and NCC, on the other hand, use external companies to perform the administration services and are therefore clearly separated from the housing cooperative which might indicate a higher degree of independence. Nevertheless, Skanska and NCC do not find the independence crucial enough to apply IAS 11 and once again the question of interpretation and judgment seem to affect the way in which revenue is recognized.

According to illustrative Example 1 in the Basis for Conclusions to IFRIC 15, sale of land should not be determined as a separate component if it is considered to be the condominium unit owners, not the buyer that owns the land. This can be considered the case in Sweden, and therefore, none of the construction companies separate the revenue for the sale of land from the project’s total revenue. The fact that the construction companies receive payments for the sale of land differently is irrelevant in regards to revenue recognition since the ownership is transferred to the buyer at the beginning of the construction. The reason for the early transfer of ownership is that the bank that issues the construction letter of credit needs the land as security and it must therefore belong to the housing cooperative which is considered to be responsible for the financing of the construction. This procedure is similar for all of the construction companies, but once again only JM and Peab consider it to be crucial for their method of revenue recognition. They consider both the fact that the housing cooperative owns the land on which the building is constructed, and the fact that the housing cooperatives are responsible for the financing to be arguments for their independence.
5.2.4 Reflection of the reality

IASB expected the change in practice upon the issuing of IFRIC 15 to be a shift from IAS 11 to IAS 18 (IFRS Foundation and the IASB, 2013). Our study shows that this change turned out to be correct as both NCC and Skanska consider themselves unable to meet the definition of a construction contract as interpreted in IFRIC 15, and have therefore shifted to applying IAS 18 for revenue from construction of cooperative apartments.

The shift to IAS 18 might have been at the expense of faithful representation since Johansson (2010b), Lagerström (1995) and Heurlin (1990) consider IAS 11 to better reflect the substance of the construction contract as it reflects the result over time. Kindstrand (JM) and Ohlsson (Peab) seem to agree with the mentioned authors as they consider IAS 11 to better reflect the reality of their construction projects. There are, however, consequences with the application of IAS 11 since it enables revenue to be recognized before significant risks have been transferred to the buyer. Unlike JM and Peab, Bäckström (NCC) argues that the transfer of risk is crucial when analyzing which method for revenue recognition to apply. Since risks are transferred upon completion of the building, NCC do not find it appropriate to recognize revenue before that time, and therefore applies IAS 18. Bäckström considers IAS 18 to better reflect the substance of the business transactions since he considers the construction of cooperative apartments to be equated sales of apartments.
6. Conclusions

The section will present conclusions from the analysis and our own opinion regarding points learned during the process of this thesis. This section will also present answers to the research questions of this thesis. Lastly in this section we give suggestions for future research within the subject.

Our study shows that the business transactions in regards to the construction of cooperative apartments are very similar between all the studied construction companies. These similarities are, however, not reflected in the financial reports since both IAS 11 and IAS 18 are being used to reflect the same business transactions. The fact that these accounting standards represent different methods for revenue recognition results in impaired comparability of financial information. Our study indicates that a main reason for the lack of comparability is caused by personal judgment, which is required in a principle-based accounting system. Our study shows that the occurrence of personal judgment results in divergence in practice, which indicates that harmony is not achieved. We consider it remarkable that IFRIC 15 has resulted in decreased comparability and lack of harmony since its purpose was to provide guidance and clarify the issue of revenue recognition.

According to IFRIC 15, the buyer has to be “able to influence major structural elements of the design” in order to apply IAS 11. Our study shows that the housing cooperatives have an identical ability to influence, but this ability is considered sufficient for some, yet insufficient for others. This clearly shows that the construction companies interpret the same ability to influence differently. We find this remarkable since this criterion is very specific and in our opinion not subject to interpretation. In our opinion, having the ability to accept or reject a building proposal cannot be considered a major influence and we therefore do not find it to be sufficient in regards to the criteria in IFRIC 15.

Our study shows that in practice the construction companies find other factors to be crucial for their revenue recognition method. This could be explained by the fact that IFRIC 15 states that all terms of the agreement, as well as surrounding facts and circumstances, should be taken into account when analyzing whether IAS 11 or IAS 18 should be applied. The construction companies focus on different factors and they also interpret the same factors as differently important. An example for this is that the board of the housing cooperative is external and independent in contracts with all four construction companies. Two of the companies, however, choose to focus on this independence and use it to motivate their appliance of IAS 11 whilst the other two companies look beyond the independence of the board and choose to rather focus on the transfer of risk. It can be noteworthy that the two companies that find the independence crucial are in fact the two companies that performs the administration services themselves which we believes would decrease the independence of the housing cooperative. In our opinion, the independence of the board is even further compromised due to the fact that the board in fact is elected by the construction companies.
Arguments presented by the construction companies can be seen as terms of the agreement as well as surrounding facts and circumstances. By allowing all these rather vague factors to influence, it can be concluded that there is significant room for interpretation and possibility for personal judgment in IFRIC 15. It is therefore only natural that companies take different factors into account and also interpret the degree of the factors’ importance differently, which results in divergence in practice.

To clearly reconnect to our purpose and research questions, the study shows that the business transactions are nearly identical between the four constructions companies. This is, however, not reflected in their financial reports since they use different methods for revenue recognition: both IAS 11 and IAS 18 are used to reflect the same reality. Our study shows that there is significant room for interpretation in IFRIC 15, which is clearly shown by the fact that, despite similar business transactions, the companies use different arguments to motivate their applied accounting method. The conclusion of our thesis is therefore that there are not differences in business transactions, but the room for interpretation that causes the divergence in practice.

6.1 Suggestions for further research

Even though our study indicates that the business transactions are similar, it might be interesting to examine the actual contracts between the construction companies and the housing cooperatives in detail to find out if the conditions in the contracts differ, and therefore could justify the divergence in practice.

There is an upcoming revenue standard that is planned to be issued. It might be interesting to examine its effect on revenue from the construction of cooperative apartments compared to the current IFRIC 15.
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Skanska (2011) Årsredovisning
8. Appendix

Appendix 1 – Interview questions about the process when constructing cooperative apartments

Beskrivning av processen A-Ö - alltså vad, hur och när det sker? Vilka är affärshändelserna?

Appendix 2 – Interview questions to the accounting department

Vilken är din position på företaget?

Hur länge har du jobbat på företaget?

Var du med vid implementering och ikraftträdande av IFRIC 15?

Hur ser processen ut när en ny standard/tolkning kommer och den ska tillämpas hos er?

Redovisar ni enligt IAS 18 eller IAS 11 vid uppförande av bostadsrätter? Är det någon skillnad mellan före och efter IFRIC 15 kom? Om det är det, vad beror det på?

Vad är det som ni anser är avgörande enligt IFRIC 15 för om man ska tillämpa IAS 18 eller IAS 11?

Enligt exempel 2 i Basis for Conclusions för IFRIC 15 så säljer man lägenheter direkt till bostadsrättsinnehavaren och ska därför redovisa enligt IAS 18? Anser ni att det exemplet är tillämpbart på er verksamhet? Varför, varför inte?

Anser ni att det finns ett stort tolkningsutrymme i hur man ska tillämpa IFRIC 15 eller att det är en tydlig och konkret vägledning gällande intäktsredovisningen?

Anser ni att det finns en skillnad i hur ett entreprenadupphdrag klassificeras enligt IFRIC 15 och IAS 11? Om så är fallet, vad tror ni att det beror på?

Redovisar ni marken separat eller som en del i projektet? När redovisar ni marken?

Är det någon skillnad mellan hur ni redovisar bostadsrätter och småhus? Vad beror dessa skillnader på?

Vad anser ni krävs för att redovisa enligt kontinuerlig överlämning (punkt 17 IFRIC 15)? Är det något ni tillämpar?

Har du något du vill tillägga eller förtydliga?

Appendix 3- Interview questions to the signing auditors

Vi ser att du har godkänt företag XXX val att redovisa dessa intäkter i enlighet med IAS XX. Vår fråga är således vilka faktorer du anser är avgörande för att kunna motivera/godkänna denna valda redovisningslösning?