

[UNOFFICIAL TRANSLATION – MINISTRY OF ECONOMIC AFFAIRS AND EMPLOYMENT 2017]

## **Accounting Act 1336/1997**

In accordance with a decision of the Parliament, the following is enacted:

### **Chapter 1**

#### **General provisions**

##### **Section 1 (30.12.2015/1620)**

###### **Obligation of a legal person to keep accounting records**

In addition to what is provided for elsewhere in the law, the following types of entities have an obligation to keep accounting records: [*Hereafter any entity with an obligation to keep accounting records is referred to as a reporting entity.*]

- 1) a general partnership, a limited partnership, a limited liability company, a co-operative, an association, a foundation and another legal person under private law; and
- 2) a registered religious community referred to in Freedom of Religion Act (453/2003) and its registered local association.

If the legal capacity of a legal person referred to in subsection 1, paragraph 1 requires registration in the Trade Register or another register, it shall also be obliged to keep accounting records for its activities requiring registration.

Reporting entities shall also include the bankruptcy estate of a legal person referred to in paragraph 1 of said subsection, if it continues the activities of the legal person.

A foreign legal person is not a reporting entity referred to in this Act. The registration of the financial statements documents of a trade organisation of a branch of a foreign located in Finland is provided for in section 17 a of the Trade Register Act (129/1979).

##### **Section 1 a (30.12.2015/1620)**

###### **Obligation of a natural person to keep accounting records**

A natural person, with the exception of one pursuing farming or fishery, shall keep accounting records for the business and profession carried on. The obligation shall also apply to the death or bankruptcy estate continuing the activities of a person carrying on a profession or a business.

Entries shall be made of transactions in a manner that the reporting entity can establish the amount of trade creditors and debtors at all times, and information necessary to comply with tax obligations can be derived from the accounts. Notwithstanding the provisions of section 2 of this chapter, a person carrying on a profession or a business shall not be obliged to apply double-entry bookkeeping, where at the maximum one the following three thresholds was exceeded in previous financial year and the one immediately preceding it:

- 1) total assets in excess of 100,000 euros;
- 2) turnover or comparable income in excess of 200,000 euros;
- 3) average personnel amounting to more than three.

A person carrying on a profession or a business shall be obliged to prepare financial statements if at least two of the thresholds provided in section 4 b were exceeded during the previous financial year and the one immediately preceding it. In the preparation of the financial statements, the provisions of this Act and the provisions provided under it on the financial statements of a micro undertaking shall apply.

Notwithstanding the provisions of this section, natural persons are obliged to comply with their bookkeeping obligations provided elsewhere in the law or provisions issued thereunder if the profession or business concerned requires an authorisation or is otherwise subject to supervision by an authority.

## **Section 2 (30.12.2015/1620)**

### **Double entry bookkeeping**

With the exception of a natural person carrying on a profession or a business referred to above in section 1 a, subsection 2, a reporting entity shall apply double entry bookkeeping.

## **Section 3**

### **Good accounting practice**

Accounting records must be maintained in accordance with good accounting practice.

## **Section 4**

### **Financial year**

The financial year is 12 months. When business operations are commenced or terminated or the financial year end is changed, the financial year may be shortened or extended. However, the financial year may not exceed 18 months.

All branches of a reporting entity must adopt the same financial year.

By way of derogation from the provisions of subsection 1, the financial year of a person carrying on a profession or business is the calendar year. However, where double entry bookkeeping is applied, the financial year may deviate from the calendar year in accordance with subsection 1. For such a financial year, financial statements shall be prepared in accordance with section 1 a, subsection 3.

## **Section 4 a (30.12.2015/1620)**

### **Small undertaking**

In this Act, a small undertaking refers to a reporting entity exceeding at the maximum one the following three thresholds at the balance sheet date of the previous financial year and the one immediately preceding it.

- 1) total assets 6,000,000 euros;
- 2) net turnover 12,000,000 euros;
- 3) average number of employees during the financial year 50.

**Section 4 b (30.12.2015/1620)**

**Micro-undertaking**

In this Act, a micro-undertaking refers to a reporting entity exceeding at the maximum one the following three thresholds at the balance sheet date of the previous financial year and the one immediately preceding it.

- 1) total assets 350,000 euros;
- 2) net turnover 700,000 euros;
- 3) average number of employees during the financial year 10.

**Section 4 c (30.12.2015/1620)**

**Large undertaking**

In this Act, a large undertaking refers to a reporting entity exceeding at least two the following three thresholds at the balance sheet date of the previous financial year and the one immediately preceding it.

- 1) total assets 20,000,000 euros;
- 2) net turnover 40,000,000 euros;
- 3) average number of employees during the financial year 250.

**Section 4 d (30.12.2015/1620)**

**IAS Regulation**

In this Act, the IAS Regulation refers to Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international financial reporting standards.

**Section 5**

**Control**

A reporting entity is considered to have control over another reporting entity or a comparable foreign undertaking (referred to as an *object undertaking*), where:

- 1) the reporting entity controls the majority of the shareholders' or members' voting rights in the object undertaking and where this majority is based on ownership, membership, articles of association, deed of partnership or similar rules or other agreement;
- 2) the reporting entity has the right to appoint or remove the majority of the members of the Board of Directors of an object undertaking or of a similar body or of a body with the same right and where the right is based on the same circumstances as the majority of voting rights referred to in paragraph 1; or
- 3) the reporting entity has actual control over the object undertaking in another way.

(30.12.2015/1620)

Restriction of voting rights based on law or articles of association or the deed of partnership of the object undertaking or on comparable rules, does not affect the calculation of voting rights referred to in subsection 1.

*Subsection 3 has been repealed by Act 30.12.2015/1620.*

For the purposes of calculating the total voting rights of an object undertaking, such total must be reduced by the voting rights attaching to shares or similar rights of ownership held by the object undertaking or a subsidiary thereof referred to in section 6. The voting rights of a person acting in his own name but on behalf of a third party must be added to the voting rights of this third party.

A reporting entity's voting rights and rights referred to in subsection 1 do not include those votes which are or that right which is attached to:

- 1) the object undertaking's shares or similar rights of ownership which are controlled by the reporting entity on behalf of some other person than itself or an entity other than the object undertaking under the control of the reporting entity.
- 2) the object undertaking's shares or similar rights of ownership which are received as security by a reporting entity, if a reporting entity has to use the rights attached to them in accordance with instructions given by a party providing the security; or
- 3) the object undertaking's shares or similar rights of ownership which a reporting entity controls as a result of lending in ordinary course of business if a reporting entity has to use the voting rights of the shares or similar rights of ownership in accordance with the benefit of a party providing the security.

(13.7.2001/629)

## **Section 6**

### **Group undertaking, parent undertaking and subsidiary**

If a reporting entity has control over an object undertaking in accordance with section 5, the former is a parent undertaking and the latter is a subsidiary. The parent undertaking together with its subsidiaries constitute a group. Throughout this Act, the parent undertaking and its subsidiaries are referred to as group undertakings.

Subsection 1 shall also apply where a reporting entity together with one or more subsidiaries, or where a subsidiary alone or together with other subsidiaries, has control over the object undertaking.

#### **Section 6 a (30.12.2015/1620)**

##### **Small and large group**

For the purposes of this Act, the following definitions apply:

- 1) a small group refers to a group exceeding not more than one of the thresholds provided in section 4 a;
- 2) a large group refers to a group exceeding at least two of the thresholds provided in section 4 a;

Exceeding the thresholds referred to above in subsection 1 is determined on the basis of the aggregated figures of the group companies on the balance sheet date of the parent undertaking.

#### **Section 7**

##### **Participating interest undertaking**

A participating interest undertaking is a domestic or a foreign undertaking not belonging to the same group as the reporting entity, where the ownership interest by the reporting entity creates a durable link between the reporting entity and the undertaking and is intended to contribute to the activities of the reporting entity or an undertaking of the same group. Unless shown otherwise by the reporting entity, an undertaking is considered a participating interest undertaking where the ownership interest by the reporting entity equals or exceeds one fifth of the subscribed capital or similar capital of that undertaking.

#### **Section 8**

##### **Associate**

An associate refers to a participating interest undertaking in which the reporting entity has one fifth or more but less than half of the voting rights arising from the shares in or similar right of ownership of the participating interest undertaking. Where the reporting entity has one fifth or less of the voting rights and significant influence over the operating and financial policies, the participant interest undertaking is considered an associate unless shown otherwise by the reporting entity. (30.12.2015/1620)

Subsection 1 shall also apply where the reporting entity together with one or more subsidiaries, or where a subsidiary alone or together with other subsidiaries, exercises significant influence and where the ownership interest meets the criteria laid down in section 7.

Section 5, subsections 2 through 4 shall apply for the purposes of calculating the share of the ownership interest laid down in subsection 1 above. (30.12.2015/1620)

#### **Section 9 (30.12.2015/1620)**

##### **Public-interest entity**

In Finland, public-interest entities referred to in Article 2, section 1 of Directive 2013/34/EU of the European Commission and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC refer to:

1) a Finnish entity which has issued a share, bond or another security subject to trading on a regulated market referred to in chapter 2, section 5 of the Securities Markets Act (746/2012);

2) a credit institution referred to in chapter 1, section 7 of the Act on Credit Institutions (610/2014);  
and

3) an insurance company referred to in chapter 1, section 1 of the Insurance Companies Act (521/2008).

## **Chapter 2**

### **Recording of transactions and accounting material**

#### **Section 1**

##### **Transactions**

The transactions of a reporting entity shall be entered in the accounting records as expenditure, revenue, financial transactions and related adjustments and transfers.

#### **Section 2**

##### **Accounts, the chart of accounts and ledgers (30.12.2015/1620)**

Each transaction shall be entered to an account corresponding with the nature of the transaction (*entry*). Each account must be consistently maintained. However, the content of an account may be changed to reflect the development of the undertaking's activities, as a result of changes in the chart of accounts as referred to in subsection 2 or because of other special reasons. (30.12.2015/1620)

A clear and sufficiently detailed chart of accounts must be maintained for each financial year, explaining the contents of the accounts (*chart of accounts*).

Ledgers comprise the general ledger, whose entries are used to derive the financial statements, and any subledgers, from which information is entered into the general ledger as combination entries. (30.12.2015/1620)

#### **Section 3**

##### **Principles of recording transactions**

Unless provided otherwise in this Act, expenditure is recorded at the time the related product or service is received and revenue is recorded at the time the product is delivered or service rendered (*accrual basis*).

Expenditure and revenue may also be recorded on the invoice date (*invoice basis*) or at the time of payment (*cash basis*). If expenditure and revenue are recorded on a cash basis, trade creditors and trade debtors must be identifiable at all times. (30.12.2015/1620)

#### **Section 4 (30.12.2015/1620)**

##### **Order and time of recording transactions**

The keeping of accounting records shall be arranged so that entries can be reviewed in a chronological order and by subject matter.

The chronological recording of cash transactions must be made on a daily basis. Other transactions and combination entries from subledgers to the general ledger may be recorded on a monthly basis or a similar basis, unless more precise chronological recording is required elsewhere in the law or other provisions issued thereunder.

Cash transactions shall be recorded without delay. Other transactions shall be recorded in due time in order that:

- 1) the reports required in this Act or elsewhere in the law to be submitted to the authorities for taxation or other purposes can be made based on up-to-date accounting records in accordance with the second sentence of section 6; and
- 2) whoever is responsible for the accounting of the corporation or the foundation can fulfil his or her control duty.

#### **Section 5**

##### **Voucher**

The recording of a transaction must be based on a dated and systematically numbered or similarly specified voucher, verifying the transaction. The connection between a transaction, voucher and the recording entry must be verifiable without difficulty. (30.12.2015/1620)

An expenditure voucher must identify the product or service received and a revenue voucher must identify the product delivered or service rendered. The date of receipt or delivery of goods or services must be identifiable based on the voucher. (30.12.2015/1620)

If possible, a payment voucher must be prepared by the recipient of the payment or by the bank or other comparable third party which transferred the payment.

If no voucher supporting the recording of a transaction can be obtained from a third party, the recording of a transaction must be based on a voucher prepared and duly approved by the reporting entity.

Vouchers supporting correcting entries or transfers in the accounting records must be duly approved.

*Subsection 6 has been repealed by Act 30.12.2015/1620.*

#### **Section 5 a (7.6.2013/399)**

### **Pay paid in the form of cash**

A receipt referred or another substantiation verifying the payment for any pay paid in the form of cash referred to in chapter 2, section 16, subsection 2 of the Act on Employment Contracts (55/2001) must be dated and attached to a voucher referred to in section 5 of this Act.

### **Section 5 b (30.12.2015/1620)**

#### **Vouchers for notes to the financial statements**

Any notes to the financial statements must, unless their basis is otherwise obvious, be based on a voucher verifying its contents (*voucher for notes*). The connection between the note and the voucher verifying it must be verifiable without difficulty.

### **Section 6 (30.12.2015/1620)**

#### **Audit trail**

The keeping of accounting records shall be arranged so that the connection between transactions, vouchers and entries through any subledgers with the general ledger and from it to the financial statements is verifiable without difficulty in both directions. The same applies to reports submitted at regular intervals to the authorities for taxation or other purposes.

### **Section 7 (30.12.2015/1620)**

#### **Accounting material**

Vouchers, ledgers and other accounting material must be processed and retained so that their contents can be reviewed without difficulty and printed in a clear written format where necessary.

The contents of a voucher, ledger or other accounting material may not be changed or erased after the preparation of the financial statements. Neither may the contents be changed or erased after a report referred to in section 6 has been submitted, or the reporting entity has published or surrendered to a third party interim financial statements or a similar document.

The format of a voucher, ledger or other accounting material may be changed if it is necessary for processing, transfer or retention purposes. In this case, the maintenance of the contents and audit trail must be ensured.

### **Section 7 a (30.12.2015/1620)**

#### **List of ledgers and material**

A reporting entity must have a list of the ledgers constituting the basis for the financial statements and the categories of vouchers and other accounting material, indicating the connections between them and their manner of retention.

### **Section 8 (30.12.2015/1620)**

Section 8 has been repealed by Act 30.12.2015/1620.

### **Section 9 (30.12.2015/1620)**

## **Retention of accounting material**

Financial statements, ledgers, vouchers and other accounting material must be retained carefully in compliance with the requirements of section 7 so that they can be reviewed in Finland by an authority or auditor without undue delay.

### **Section 10**

#### **Period of retention for accounting material**

The financial statements, management report, ledgers, chart of accounts and the list of ledgers and materials must be retained for at least 10 years from the end of the financial year so that the requirements of sections 6, 7 and 9 are complied with. (30.12.2015/1620)

Unless a longer retention period is provided for elsewhere in the law, the vouchers for the financial year, correspondence regarding transactions and other accounting material than that referred to in subsection 1 must be retained for at least six years after the end of the year during which the financial year ended, in compliance with the requirements of sections 6, 7 and 9. (30.12.2015/1620)

When operations are terminated or when the obligation to keep accounting records ceases for other reasons, a reporting entity or the beneficiary thereof must arrange retention of the accounting material in accordance with this section and inform the registration authority to whom this responsibility has been entrusted.

Notwithstanding the provisions of subsections 1 and 2, the ministry governing the European Union structural fund program may provide a decree for a longer period of retention than that referred to in subsections 1 and 2 to accounting material related to support granted from the fund program. (13.7.2001/629)

## **Chapter 3**

### **Financial statements and management report (30.12.2004/1304)**

#### **Section 1 (30.12.2015/1620)**

##### **Contents of the financial statements**

For each financial year, financial statements must be prepared, consisting of:

- 1) a balance sheet disclosing the financial position as at the balance sheet date;
- 2) a profit and loss account disclosing how the profit or loss has arisen;
- 3) a cash flow statement disclosing funds acquired and the application thereof, if the reporting entity is a large undertaking or a public-interest entity; and
- 4) notes to the balance sheet, the profit and loss account and the cash flow statement.

For each item in the balance sheet, the profit and loss account and the cash flow statement, a corresponding item for the preceding financial year (comparative figure) must be disclosed. If the contents of a balance sheet item, a profit and loss account item or a cash flow statement item have

been changed, the figure for the preceding year must be adjusted whenever practicable. Adjustment must also be made, if the figures are not comparable for any other reason.

A management report referred to in section 1 a must be attached to the financial statements if the reporting entity is;

- 1) a public limited liability company;
- 2) a cooperative or a private limited liability company which is not a micro-undertaking or a small undertaking; or
- 3) a public-interest entity.

Documents comprising the financial statements and documents attached to the financial statements must be clear and constitute a composite whole.

**Section 1 a (30.12.2015/1620)**

**Management report**

The management report shall describe the reporting entity's:

- 1) development of operations and profitability;
- 2) financial position; and
- 3) most significant risks and uncertainties.

Whenever necessary in order to understand the descriptions referred to in subsection 1, the management report must include:

- 1) key financial indicators; and
- 2) non-financial indicators on personnel and environmental impacts.

The description referred to above in subsection 1 must be balanced and comprehensive with a view to the size and structure of the reporting entity. Where necessary, it shall make reference to the matters presented in the financial statements and provide complementary information thereto.

In addition to the above provisions in this section, the management report shall disclose:

- 1) information on any significant events after the financial year;
- 2) an estimate of the probable future developments of the reporting entity;
- 3) information on the scope and extent of the research and development activities;
- 4) information on any branches;

5) information on financial instruments measured at fair value as provided in chapter 5, section 2 a, subsection 5;

6) annual report information referred to in chapter 8, section 8 of the Limited Liability Companies Act (624/2006) and in chapter 8, section 8 of the Co-operatives Act (421/2013) on the acquisitions and sales of own shares; and

7) information required by other legislation.

## **Section 2 (29.12.2016/1376)**

### **True and fair view**

The financial statements shall give a true and fair view of the reporting entity's result of operations and financial position in accordance with the principle of materiality in light of the nature and the extent of operations of the reporting entity.

If compliance with the requirements provided elsewhere in this act fails to create a true and fair view referred to in subsection 1, the reporting entity must disclose the requisite information to that end in the notes taking the provisions of section 2 a into account. However, information that in accordance with this Act or other law shall be disclosed in the management report need not be disclosed.

If compliance with other provisions in this Act than section 3 would materially endanger the provision of a true and fair view, they shall not apply. The relevant provision must be specified in the notes, and a report must be given on the justifications of the non-application and its impacts on the result of operations and financial position.

Application of subsection 1 above on a micro-undertaking is provided for in more detail in a government decree.

## **Section 2 a (29.12.2016/1376)**

### **Materiality as a general accounting principle**

A matter disclosed in the financial statements is deemed material where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements. Even if a matter in itself were immaterial, the assessment of materiality shall be targeted on the whole if there are many similar matters.

With respect to matters concerning the financial statements which are not material in giving a true and fair view, exceptions can be made to the provisions of this Act regarding:

- 1) deferral or accrual of revenue or expenditure;
- 2) valuation of an asset or liability item;
- 3) format of presentation;
- 4) information disclosed in the financial statements; or

5) the preparation of consolidated financial statements.

The provisions of subsection 2 shall not apply to the obligation under chapter 2, section 1 to record every transaction in bookkeeping. The notes must include an explanation of any exception based on subsection 2.

### **Section 3 (29.12.2016/1376)**

#### **Other general accounting principles**

The principles to be followed in preparing the financial statements in accordance with sections 2 and 2 a and for the opening balance sheet include the following:

- 1) a reporting entity is presumed to be carrying on its business as a going concern;
- 2) the principles and methods used for the preparation of the financial statements must be applied consistently from one financial year to the next;
- 3) the accounting for transactions must consider the substance of the transactions and not merely their legal form (*substance over form*);
- 4) valuation must be made on a prudent basis, irrespective of the result for the financial year;
- 5) the opening balance sheet must be based on the closing balance sheet for the preceding financial year;
- 6) account must be taken of income and expenses relating to the financial year, irrespective of the date of receipt or payment thereof (*accrual basis*);
- 7) the components of asset and liability items must be valued separately; and
- 8) the presentation of assets and liabilities on the balance sheet and the profit and loss account to their full amount without setting them off, unless the set-off is necessary for the purposes of giving a true and fair view (*prohibition on netting*).

Prudence referred to in subsection 1, paragraph 4 above especially requires the following to be taken into consideration when preparing the financial statements:

- 1) that only profits made during the financial year may be included in the financial statements; and
- 2) that account must be taken of all depreciation, amortisation and reductions in value of assets, of increases in value of liabilities as well as of all foreseeable liabilities and potential losses arising in the course of the financial year concerned or of a previous one, even if such liabilities or losses become apparent only after the balance sheet date.

Where a material matter referred to in section 2 a is concerned, derogations from the principles provided in subsections 1 and 2 above are permitted for special reasons only. Such derogation must be based on the law or a decree or provision issued under the law. The reasons for any such derogations must be given in the notes to the financial statements together with an assessment of their effect on the result of operations for the financial year and the financial position.

#### **Section 4 (29.12.2016/1376)**

##### **Adjustment and supplementation of invoice-based and cash-based accounts, and cash-based financial statements**

Minor entries made on invoice or cash basis do not need to be adjusted to accrual basis before the preparation of financial statements, unless their combined impact is material.

Where a micro-undertaking is an association or a foundation, it may also prepare its financial statements on a cash basis provided that it is not the parent undertaking of a group for which consolidated financial statements must be prepared. Cash-based financial statements must include at least the following notes:

- 1) assessment on the effect of the practice the on the result of operations for the financial year and the financial position.
- 2) off-balance sheet trade creditors and trade debtors;
- 3) changes in the stocks referred to in chapter 4, section 4, subsection 2;
- 4) changes in the non-current assets referred to in chapter 4, section 3;
- 5) amount of interest on liabilities on an accrual basis; and
- 6) amount of holiday pay debt on an accrual basis.

#### **Section 5 (30.12.2004/1304)**

##### **Language and currency**

The financial statements and the management report must be presented either in the Finnish or Swedish language, expressed in the euro. If, in addition to the financial statements and the management report expressed in the euro, a reporting entity presents financial statements and management report in another currency, the exchange rate used for translation must be disclosed.

#### **Section 6 (30.12.2004/1304)**

##### **Time of preparation**

Financial statements and the management report must be prepared no later than four months after the end of the financial year.

#### **Section 7 (30.12.2004/1304)**

##### **Date and signature**

Financial statements and the management report must be dated and signed by the reporting entity. If the reporting entity is a corporation or a foundation, financial statements and the management report must be signed by the Board of Directors or the responsible partners together with the managing director or another person in a comparable position.

If a signer of the financial statements or the management report presenting a dissenting opinion on the financial statements or the management report so demands, a statement concerning this fact must be included in the financial statements or the management report.

**Section 7 a (30.12.2015/1620)**

**Responsibility for the financial statements, management report and the list of ledgers and materials**

The responsibility of a member of the board of directors or another similar body and of the managing director for the financial statements and the management report is provided for in the respective act on the relevant type of legal person. The same responsibility also applies to the list of ledgers and materials referred to in chapter 2, section 7 a.

**Section 8 (30.12.2015/1620)**

Section 8 has been repealed by Act 30.12.2015/1620.

**Section 9 (30.12.2004/1304)**

**Registration of the financial statements and the management report**

A copy of the financial statements and management report shall always be filed for registration with the Finnish Patent and Registration Office, if the reporting entity is one of the following:

- 1) a limited liability company;
- 2) a limited partnership or a general partnership, where at least one of the personally liable partners is a limited liability company;
- 3) a limited partnership or a general partnership, where at least one of the personally liable partners is a company referred to in paragraph 2;
- 4) a co-operative;
- 5) a mutual insurance company; or
- 6) an insurance association.

The provisions of subsection 1 shall also apply to other reporting entities where they are larger than a small undertaking. (30.12.2015/1620)

If a reporting entity has an obligation to prepare consolidated financial statements, the consolidated financial statements are used to determine whether the limits set out in subsection 2 are exceeded or not.

A reporting entity must file the financial statements and the management report for registration no later than six months after the end of the financial year. Separate provisions shall apply to the time limits for limited liability companies and co-operatives.

The right of the Finnish Patent and Registration Office to provide more detailed provisions on the procedures to be followed in submitting financial statements documents in an electronic format and other

technical matters relating to their registration process is provided for in the Trade Register Act (129/1979).  
(22.12.2006/1326)

**Section 10 (30.12.2004/1304)**

**Publication of the financial statements and the management report**

Separate provisions shall apply to the publication procedure for the financial statements and the management report filed for registration.

In addition to filing for registration, a reporting entity may independently publish the financial statements and the management report referred to in section 1.

A reporting entity may also publish an abridged version of the financial statements or the management report provided that:

- 1) the abridged version indicates that the version published does not contain all the information in the financial statements referred to in section 1 and the management report referred to in section 1 a.
- 2) no auditor's report is attached to the abridged version;
- 3) the abridged version indicates whether the auditor's opinion as referred to in chapter 3, section 5, subsection 3 of the Auditing Act is unmodified, qualified or adverse, or whether the auditor has been unable to express an opinion.
- 4) the abridged version indicates if, despite providing an unmodified opinion, the auditor presents any further information referred to in chapter 3, section 5, subsection 3 of the Auditing Act or a remark referred to in section 5, subsection 4; and
- 5) the abridged version indicates in which register the financial statements and management report can be available in full, or whether the financial statements and the management report have not yet been submitted for registration.

(30.12.2015/1620)

**Section 11 (30.12.2004/1304)**

**Obligation to provide copies**

If a reporting entity is one of the following types, it has an obligation to provide a copy of the financial statements and the management report:

- 1) an association of right of occupancy;
- 2) a housing co-operative;
- 3) a housing company; or
- 4) a limited liability company referred to in section 2 of the Housing Company Act.

Upon request, a reporting entity referred to in section 9 subsections 1 and 2 above, has an obligation to provide a copy of the financial statements and the management report if the request was made before the financial statements and the management report were filed for registration.  
(30.12.2015/1620)

The copies must be provided within two weeks of the request. A reporting entity has the right to charge for the copies, with the exception of copies provided to official authorities. The amount charged may not exceed the amount charged by the National Board of Patents and Registration for comparable copies.

#### **Section 12 (29.12.2016/1376)**

##### **Audit information**

If the financial statements, and the corporate governance of a reporting entity are subject to an audit in accordance with the Auditing Act (1141/2015), the financial statements and the management report filed for registration as well as any financial statements and management report otherwise published by the reporting entity must be accompanied by a copy of the auditors' report.

#### **Section 13 (29.12.2016/1376)**

##### **Details of the balance sheet items**

Financial statements must be supported by details of balance sheet items.

Chapter 2 sections 7 and 9 as well as section 10 subsections 1 and 3 shall apply to the details of the balance sheet items.

Details of the balance sheet items are not filed for registration.

#### **Chapter 3a (29.12.2016/1376)**

##### **Statement of non-financial information**

#### **Section 1 (29.12.2016/1376)**

##### **Scope of application**

A public-interest entity referred to in section 9 of chapter 1 that is a large undertaking whose average number of employees during the financial year has exceeded 500, has to include in its management report a statement of non-financial information.

#### **Section 2 (29.12.2016/1376)**

##### **Contents of the statement**

The statement shall include, as a minimum, information regarding how the reporting entity handles:

- 1) environmental matters
- 2) social and employee-related matters
- 3) respect for human rights,
- 4) anti-corruption and bribery matters.

The information shall be disclosed to the extent necessary to understand the implications of the reporting entity's activities.

The statement shall include:

- 1) a brief description of the reporting entity's business model;
- 2) a description of the policies pursued by the reporting entity in relation to the matters referred to in subsection 1, including due diligence processes implemented;
- 3) the outcome of policies referred to in paragraph 2 of this subsection;
- 4) a description of the principal risks related to the matters referred to in subsection 1, taking into consideration the reporting entity's business relationships, products or services and otherwise the nature and extent of its activities, the realization of which is likely to cause adverse impacts on its activities, and an explanation of how the reporting entity manages those risks;
- 5) non-financial key performance indicators relevant to the reporting entity's business.

Where the reporting entity does not comply with the policies referred to section 3 paragraph 2 in relation to one or more of those matters, the statement shall provide a clear and reasoned explanation for not doing so.

Where necessary, the statement shall include references to, or additional explanations of, amounts reported in the financial statements.

When preparing the statement, the reporting entity may rely on national, Union-based or international frameworks. If it does so, it shall specify which frameworks it has relied upon.

### **Section 3 (29.12.2016/1376)**

#### **Exceptions to the disclosure of information**

Information relating to negotiations or developments or matters in the course of negotiations may be omitted where, in the duly justified opinion of the reporting entity, the disclosure of such information would be seriously prejudicial to the commercial position of the reporting entity. It is, however, required that such omission does not prevent a fair and balanced understanding of the impact of the reporting entity's development, performance and financial position.

### **Section 4 (29.12.2016/1376)**

#### **Group**

If the reporting entity is a parent undertaking of a group, the parent undertaking shall issue a statement corresponding to that referred to in section 2 regarding the group. A subsidiary whose information is included in the parent undertaking's statement need not give a separate statement.

### **Section 5 (29.12.2016/1376)**

#### **A report separate from the management report**

The reporting entity may disclose the information referred to in section 2 in a report separate from the management report, provided that it is made public at the same time as the management report. Alternatively, the separate report may be published on the reporting entity's website within six

months from the balance sheet date, provided that the management report includes a reference to this separate report to be published later on the website.

The separate report shall be dated and signed in accordance with chapter 3 section 7 subsection 1.

#### **Section 6 (29.12.2016/1376)**

##### **Checking the information**

The auditor of the reporting entity shall check whether the statement of non-financial information has been provided. Where the statement is provided as a separate report, the auditor shall state in the audit report if the information included in the financial statements and the information in separate report are not consistent.

## **Chapter 4**

### **Definitions of certain items in the financial statements**

#### **Section 1 (30.12.2015/1620)**

##### **Net turnover**

Net turnover comprises income derived from the sale of goods and services, after deduction of sales discounts, value added tax and other taxes directly linked to the amount of sales.

#### **Section 2 (30.12.2015/1620)**

Section 2 has been repealed by Act 30.12.2015/1620.

#### **Section 3**

##### **Non-current assets and current assets**

Assets are divided into non-current assets and current assets depending on the use for which they are intended. Assets that are kept for the purpose of generating income on a continuing basis during more than one financial year are considered non-current assets. Other assets are considered current assets.

#### **Section 4**

##### **Stocks and financial assets (30.12.2014/1304)**

*Subsection 1 has been repealed by Act 30.12.2014/1304.*

Stocks comprise goods intended for sale or other transfer or consumption as such or after processing.

Financial assets comprise cash, accounts receivable and other liquid assets temporarily in some other form.

#### **Section 5 (30.12.2015/1620)**

## **Acquisition cost**

The acquisition cost comprises the direct costs attributable to the purchase and production or construction of an asset.

A reasonable proportion of the indirect acquisition and production cost may be attributed to the acquisition cost to the extent that these costs are allocated to the production period. These indirect costs must be verifiable by cost a calculation or calculations.

The interest costs of a loan attributable to the production of an asset over the production period can be attributed to the acquisition cost.

For valuation purposes, stocks of goods of the same category are assumed to be delivered in the order they were acquired or in the opposite order, unless otherwise shown by the reporting entity. The weighted average acquisition cost of the assets, or a value calculated by another generally used method which is in accordance with good accounting practice may also be recorded as the acquisition cost of such goods.

The provisions of subsection 4 shall also apply to securities of the same category, which are included in a balance sheet heading other than stocks.

## **Section 6**

### **Prepayments and accrued income, accruals and deferred income**

Prepayments and accrued income comprise:

- 1) payments made in the course of the financial year or a previous one for expenditure relating to a subsequent financial year, unless they are to be shown under advance payments; and
- 2) income relating to the financial year or a previous one, for which no payment has been received, unless it is be shown under trade debtors.

Accruals and deferred income comprise:

- 1) payments received in the course of the financial year or a previous one for income relating to a subsequent financial year, unless they are to be shown under advance payments;
- 2) expenditure incurred for which no payment has been made, unless it is to be shown under trade creditors; and
- 3) future expenditure and losses, unless they are to be shown under provisions as prescribed in chapter 5 section 14 subsection 3 or to be deducted from the balance sheet value of the asset in question.

## **Section 7**

### **Non-current debtors and creditors**

Debtors or a portion thereof becoming due and payable after more than one year are considered non-current debtors. Other debtors are considered current debtors.

Also creditors shall be divided into non-current and current creditors as prescribed in subsection 1.

#### **Section 8 (30.12.2015/1620)**

##### **Own shares and parent undertaking's shares or similar rights of ownership**

Own shares referred to in the Limited Liability Companies Act may not be recorded in the balance sheet, and the parent undertaking's shares owned by a foreign or Finnish subsidiary may not be recorded in the consolidated balance sheet. It is also forbidden to record in the balance sheet own co-operative capital shares, and shares in a co-operative and its parent co-operative referred to in the Co-operatives Act.

## **Chapter 5**

### **Measurement and recognition rules**

#### **Section 1**

##### **Recognition of income, expenses and losses**

Revenue for the financial year shall be shown as income in the profit and loss account. Expenditure which is not likely to generate further income as well as losses are charged against income as expenses. Other expenditure may be capitalised as prescribed in this chapter below.

#### **Section 2 (30.12.2015/1620)**

##### **Receivables, financial assets and liabilities**

In the balance sheet:

- 1) receivables must be measured at face value, however, not in excess of their probable value;
- 2) securities and other similar assets classified as financial assets must be measured at the lower of acquisition cost and probable fair market value at the balance sheet date; and
- 3) liabilities must be measured at face value, or if the debt has an escalator clause, at the higher of face value and the value calculated on the basis of the appropriate index.

A reporting entity may also measure securities and other similar assets classified as non-current assets in the manner provided above in subsection 1, paragraph 2.

Where the assets referred to in subsection 1, paragraph 1, or current assets referred to in subsection 2, or non-current assets referred to in subsection 2 are recognised at a value lower than the acquisition cost, the difference is entered in the profit and loss account as financial expense or another item reflecting its nature.

#### **Section 2 a (30.12.2015/1620)**

##### **Recognition of financial instruments at fair value and the fair value reserve**

By way of derogation from the provisions of section 2, subsection 1, paragraph 2 above, derivatives contracts and other financial instruments can be measured at their fair value. Such recognition and presentation shall be made in compliance with the international financial reporting standards adopted pursuant to the IAS Regulation. Exceptions to the application of the standards or additional requirements relating to their application to the information presented in the financial statements or management report may be provided for by government decree.

Changes in the fair value of financial instruments are recorded in the fair value reserve where an international financial reporting standard referred to in subsection 1 requires its recognition under shareholders' equity in the balance sheet. Restrictions concerning the distribution and other use of the fair value reserve are provided for in the Limited Liability Companies Act and the Co-operatives Act.

The fair value reserve must be adjusted when a financial instrument is transferred, it expires or is subject to an impairment which shall be recognised in profit and loss under a standard referred to in subsection 1.

Unless the international financial reporting standards referred to in subsection 1 require the presentation of comparable details as notes, the following information on financial instruments recognised at fair value shall be presented in the management report:

- 1) financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and
- 2) exposure to price risk, credit risk, liquidity risk and cash flow risk, where this information is material for the assessment of the financial position or result of the reporting entity.

The management report of the parent undertaking must also include group-level disclosure on the items referred to in subsection 4.

Where the reporting entity is a micro-undertaking applying the provisions on micro-undertakings provided for in or under this Act, it may not apply the procedure under this section in the recognition of financial instruments.

#### **Section 2 b (30.12.2015/1620)**

##### **Recognition of investment properties at fair value**

A reporting entity may recognise its investment properties at fair value. Such recognition and presentation shall be made in accordance with the financial reporting standards adopted pursuant to the IAS Regulation and the provisions of section 2 a, subsection 2 and 3 on the fair value reserve. Exceptions to the application of the standards or additional requirements relating to their application to the information presented in the financial statements or management report may be provided for by government decree.

Where the reporting entity is a micro-undertaking applying the provisions on micro-undertakings provided for in or under this Act, it may not apply the procedure under this section in the recognition of investment properties.

#### **Section 3**

## **Receivables, liabilities and other commitments denominated in a foreign currency**

Receivables as well as liabilities and other commitments denominated in a foreign currency must be translated into Finnish currency using the exchange rate at the balance sheet date. If receivables or other liabilities or other commitments denominated in a foreign currency are, through an agreement or otherwise, pegged to a specific exchange rate, they may be translated into Finnish currency at that exchange rate. (13.7.2001/629)

*Subsection 2 has been repealed by Act 30.12.2014/1304.*

## **Section 4**

### **Using percentage of completion method as the basis of revenue recognition**

Revenue from a contract with a long production or construction period may be recognised on the basis of the percentage of completion method. If this method is applied, it must be possible to reliably estimate the profitability of each separate contract. A reporting entity must apply the same revenue recognition method to all such income.

## **Section 5 (30.12.2015/1620)**

### **Recognition and depreciation of the acquisition cost of tangible assets generating income in several financial years**

The acquisition cost of a tangible asset estimated to generate income in several financial years is depreciated by recognising a planned expense in each of the financial years during the useful life of the asset (*depreciation*). The remainder of the acquisition cost less depreciation for the financial year is recognised in the balance sheet under non-current assets (*capitalisation*).

Cost accounting or cost calculations must enable verification of capitalised purchase and production or construction costs.

Tangible non-current assets of the same category the acquisition cost of which is of secondary importance and which are constantly being acquired by the reporting entity so that the quantity and sum of acquisition costs thereof do not vary materially, may be shown at a fixed value from one financial year to another.

## **Section 5 a (30.12.2015/1620)**

### **Recognition and amortisation of the acquisition cost of intangible assets**

The cost of intangible assets acquired against a consideration, such as concessions, patents, licenses, trademarks and similar rights and assets, must be capitalised where these are estimated to generate income in several financial years.

Where the reporting entity itself has created the intangible asset referred to in subsection 1 above, its acquisition cost may be capitalised on a prudent basis provided that the asset is estimated to generate income in several financial years.

A capitalised acquisition cost referred to above in subsections 1 and 2 must be amortised during its useful life according to a predetermined plan.

## **Section 5 b (30.12.2015/1620)**

### **Recognition of assets acquired by finance lease**

Where a reporting entity has entered into a lease agreement concerning an asset whereby substantially all the risks and rewards based on the asset are transferred to the lessee at the beginning of the lease period, the lessor may recognise the asset in its financial statements as if it were sold and the lessee as if it were bought. Where a reporting entity adopts this recognition practice, it must be applied to all agreements referred to in this subsection. Such recognition and presentation shall be made in compliance with the financial reporting standards adopted pursuant to the IAS Regulation. Exceptions to the application of the standards or additional requirements relating to their application to the information presented in the financial statements or management report may be provided for by government decree.

## **Section 5 c (30.12.2015/1620)**

### **Recognition of capital loans in the balance sheet**

A capital loan may be recognised as a separate item under capital and reserves where it is considered by a limited liability company or a co-operative to have terms and conditions comparable to equity as required from securities to be included in equity in accordance with financial reporting standards adopted pursuant to the IAS Regulation. In other cases, such a loan shall be recorded in liabilities.

## **Section 6**

### **Recognition of the acquisition cost of stocks**

The acquisition cost of stocks remaining at the end of the financial year shall be capitalised as an asset. However, if the probable replacement cost or selling price of stocks at the balance sheet date is lower than their acquisition cost, the difference shall be recorded as an expense.

Section 5 subsection 2 shall apply to the determination of the capitalised acquisition cost of stocks.

Raw materials and consumables of the same category within stocks, the acquisition cost of which is of secondary importance and which are constantly being acquired by the reporting entity so that the quantity and sum of acquisition costs thereof do not vary materially, may be shown at a fixed value from one financial year to another.

## **Section 7 (30.12.2004/1304)**

### **Recognition and amortisation of formation costs**

Expenditure caused by forming an undertaking (*formation costs*) is expensed in the financial year in which it is incurred.

## **Section 8 (30.12.2015/1620)**

### **Recognition and amortisation of research and development expenditure**

Research expenditure is expensed in the financial year in which it is incurred

Development expenditure may be capitalised where it is expected to generate income in several financial years. Capitalised development expenditure must be amortised over its useful life according to a predetermined plan. Where the reporting entity cannot estimate the useful life in a reliable manner, development expenditure must be amortised within ten years at the maximum. Development expenditure may not be capitalised as other long-term expenditure.

Where development expenditure has been capitalised, the capitalised amount of expenditure not yet recognised as an expense may not be distributed from the profit for the financial year, retained earnings or other distributable funds if the reporting entity is:

- 1) a limited liability company or other entity obliged by the law to comply with the Limited Liability Companies Act;
- 2) a limited partnership or a general partnership, where all personally liable partners are limited liability companies; or
- 3) a co-operative or other entity obliged by the law to comply with the Co-operatives Act.

#### **Section 9 (30.12.2015/1620)**

##### **Recognition and amortisation of the acquisition cost of goodwill**

The acquisition cost of goodwill may be capitalised. Capitalised goodwill must be amortised over its useful life according to a predetermined plan. Where the reporting entity cannot estimate the useful life in a reliable manner, goodwill must be amortised within ten years at the maximum.

#### **Section 10 (30.12.2015/1620)**

##### **Debt issue costs**

The difference between the amount repayable in respect of a debt and the amount received and other comparable costs as well as debt issue costs may only be capitalised on a prudent basis. The capitalised amounts must be amortised according to a predetermined plan based on the repayment period, but at a rate no slower than the rate at which the debt is being amortised.

#### **Section 11 (30.12.2015/1620)**

##### **Recognition and amortisation of other long-term expenditure**

Where long-term expenditure other than those referred to in sections 7 through 10 has been capitalised, it must be amortised within its useful life according to a predetermined plan. Where the reporting entity cannot estimate the useful life in a reliable manner, the expenditure must be amortised within ten years at the maximum.

#### **Section 12 (30.12.2015/1620)**

##### **Depreciation other than that made according to a predetermined plan**

For a special taxation-based reason, a reporting entity may record depreciation in excess of plan.

Notwithstanding section 5 subsection 1, section 5 a subsection 3, section 8 subsection 2 and sections 9 through 11, a natural person referred to in chapter 1, section 1 a, subsections 1 and 2 and a reporting entity whose operations consist of the possession of real estate may charge the depreciation of the acquisition cost of non-current assets over their useful lives without a predetermined plan provided that the depreciations are made on a continuous and consistent basis. The provisions above in this subsection do not entitle one to derogate from the capitalisation obligation where the expenditure is estimated to generate income in several financial years, or from the provided maximum depreciation period.

#### **Section 13 (30.12.2015/1620)**

##### **Reduction of value**

If the estimated future revenue generated by a non-current asset is expected to be permanently lower than the undepreciated balance of the acquisition cost, an adjustment to the value must be made to write off the difference as an expense.

#### **Section 14 (30.12.2015/1620)**

##### **Future expenditure and losses and provisions**

Future expenditure and losses arising from obligations must be deducted from income, if:

- 1) they are attributable to the financial year concerned or a previous one;
- 2) at the time of preparing the financial statements, it is considered that they are either certain or likely to be incurred;
- 3) revenue generated by them is not certain or likely to cover such expenditure or losses; and
- 4) they are based on law or a binding commitment towards a third party.

If the expenditure or losses referred to in subsection 1 are uncertain as to the amount or as to the date on which they will arise, they are to be shown in the balance sheet as a liability item corresponding to their nature or as accrued expenses. In other cases, they are recorded as provisions.

Expenditure and losses referred to in subsection 1 and provisions referred to in subsection 2 are recorded in the profit and loss account and the balance sheet at their probable value.

A provision cannot be used to reduce the value of an asset from the value entered in assets in the balance sheet.

#### **Section 15 (30.12.2015/1620)**

##### **Taxation-based reserves**

Investment, operating or other comparable taxation-based reserves may be set up in the financial statements.

#### **Section 16 (30.12.2015/1620)**

### **Reversing an expense entry reflecting the reduction of value**

If an expense entry used in an earlier period than the one to referred to in the financial statements to make an adjustment to the value of a financial asset on the basis of section 2, of stocks on the basis of section, 6 subsection 1 or of a non-current asset on the basis of section 13, can no longer be justified at the balance sheet date, it must be reversed. However, no reversal shall be made in respect of goodwill.

### **Section 17 (30.12.2015/1620)**

#### **Revaluation**

If the probable selling price of land and waters or a security which is not a financial instrument as defined in section 2 a, recorded under non-current assets is, at the balance sheet date, permanently and materially in excess of the original acquisition cost, a revaluation not exceeding the difference between the probable selling price and the undepreciated balance of the acquisition cost may be brought into the balance sheet, if done consistently and prudently, in addition to the undepreciated balance of the acquisition cost.

If the revaluation referred to in subsection 1 is made to a subsidiary's shares or similar rights of ownership held by the parent undertaking, the parent undertaking's shares or similar rights of ownership held by the subsidiary shall be regarded to bear no value.

An amount equal to the revaluation must be shown in the revaluation reserve under capital and reserves. Restrictions concerning the distribution and other use of this reserve are provided for in the Limited Liability Companies Act and the Co-operatives Act.

If a revaluation can no longer be justified, it must be reversed and the revaluation reserve correspondingly reduced.

The need for a reduction of value referred to above in section 13 is assessed on the basis of the revalued value at the end of the financial year.

### **Section 18 (30.12.2015/1620)**

#### **Deferred tax liabilities and assets**

Deferred tax liabilities and deferred tax assets arising from timing differences between income and corresponding taxable revenue and between expenses and corresponding tax deductible expenditure and temporary differences between the carrying amount of assets or liabilities and their tax base may be shown in the balance sheet and the profit and loss account as a separate item on a prudent basis.

### **Section 19 (30.12.2004/1304)**

#### **Transfers between stocks and non-current assets**

Transfers of goods from stocks to non-current assets shall be made at the lower of acquisition cost and probable selling price. Transfers of items from non-current assets to stocks shall be made at an amount equivalent to the undepreciated balance of their acquisition cost.

## **Section 20 (30.12.2015/1620)**

Section 20 has been repealed by Act 30.12.2015/1620.

## **Chapter 6**

### **Consolidated financial statements**

#### **Section 1 (30.12.2015/1620)**

##### **Obligation to prepare consolidated financial statements**

A parent undertaking has an obligation to prepare consolidated financial statements and to include them in its financial statements if it is:

- 1) a limited liability company;
- 2) a limited partnership or a general partnership, where at least one of the personally liable partners is a limited liability company;
- 3) a limited partnership or a general partnership, where at least one of the personally liable partners is a limited partnership or a general partnership referred to in paragraph 2; or
- 4) a co-operative.

Also, a parent undertaking of any type other than those referred to in subsection 1 has an obligation to prepare consolidated financial statements and to include them in the financial statements if it carries on a business. The obligation does not apply to a person carrying on a profession or business.

Notwithstanding the requirement in chapter 3, section 2 of a true and fair view, consolidated financial statements need not be prepared in a small group where none of the group companies is a public-interest entity.

In addition to the exemption referred to in subsection 3, a reporting entity is also exempted from the obligation to prepare consolidated financial statements, if:

- 1) an undertaking governed by the law of a European Economic Area member state owns at least nine tenths of the parent undertaking;
- 2) all other owners of the reporting entity have given their approval for not preparing consolidated financial statements; and
- 3) the financial statements of the parent undertaking and its subsidiaries are consolidated into the financial statements of an undertaking governed by the law of a European Economic Area member state which files the consolidated financial statements for registration as referred to in chapter 3, section 9.

The exception provided for above in subsection 4 may also be applied under the prerequisites referred to therein, where the share of ownership provided for in the subsection is held by an undertaking not governed by the law of a European Economic Area member state, provided that:

- 1) said undertaking prepares its consolidated financial statements and management report:
  - a) in compliance with the Directive;
  - b) in a manner corresponding to consolidated financial statements and management reports prepared in accordance with the Directive;
  - c) in accordance with the international financial reporting standards adopted pursuant to the IAS Regulation; or
  - d) in a manner equivalent to international accounting standards as defined in accordance with Commission Regulation (EC) No 1569/2007 of establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council; and
- 2) the consolidated financial statements are audited by an auditor or an audit firm approved in accordance with the national legislation of the jurisdiction governing the undertaking.

In addition to the exemption referred to above in this section, a reporting entity is also exempted from the obligation to prepare consolidated financial statements, if:

- 1) the subsidiaries are not alone or taken as a whole material to the provision of a true and fair view of the group in previous financial year and the one immediately preceding it; or
- 2) each of the subsidiaries could be left unconsolidated in accordance with section 3.

The provisions of subsections 4 and 5 above shall not apply where a security issued by a Finnish parent undertaking is subject to trading in a regulated market referred to in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC in Finland or another state belonging to the European Economic Area.

## **Section 2 (30.12.2015/1620)**

### **Contents of the consolidated financial statements and information on the group to be disclosed in the parent undertaking's management report**

Consolidated financial statements are prepared by combining group undertakings' balance sheets, profit and loss accounts and the notes thereto. Chapters 3 through 5 shall apply in respect of consolidated financial statements, taking into account their special characteristics compared to financial statements. The consolidated financial statements shall be prepared as of the same date as the parent undertaking's financial statements.

A large group must include a consolidated cash flow statement in its consolidated financial statements, disclosing funds acquired and used during the financial year. The same also applies to a group where one of the group companies is a public-interest entity.

The management report of the parent undertaking must also include group-level disclosure on the items referred to in chapter 3, section 1 a. Chapter 7, section 7 of the Securities Markets Act provides for a corporate governance statement to be presented in management report or in a separate report for an issuer of a security subject to public trading on a regulated market.

Documents included in and relating to the consolidated financial statements must be clear and constitute a composite whole.

### **Section 3 (30.12.2015/1620)**

#### **Exemptions from the obligation to include a subsidiary in the consolidated financial statements**

A subsidiary need not be included in the consolidated financial statements, if:

- 1) non-inclusion does not jeopardise giving a true and fair view of the group's result of operations and financial position;
- 2) ownership of the subsidiary is short-term and it is held exclusively with a view to subsequent disposal;
- 3) the information necessary for the preparation of the consolidated financial statements cannot be exceptionally obtained without undue delay or disproportionate expense; or
- 4) severe long-term restrictions substantially hinder the parent undertaking in the exercise of its rights over the management of that undertaking.

Where there are several subsidiaries referred to in subsection 1, paragraph 1 in the group, the exclusion of which would mean that the consolidated financial statements do not give a true and fair view of the group's result of operations and financial position, they must be included in the consolidated financial statements.

### **Section 4 (30.12.2015/1620)**

#### **Preparation principles**

The same principles must be used consistently in preparing the consolidated financial statements. They can only be changed where necessary to provide a true and fair view.

Individual financial statements of the group undertakings must be adjusted before consolidation so that they conform with the accounting principles applied by the parent undertaking or the group's principal line of business which are in accordance with the principles laid down in this Act. Derogation from this provision is allowed only for a special reason.

### **Section 5 (30.12.2004/1304)**

#### **The financial year of a subsidiary and the obligation to prepare interim financial statements**

A Finnish subsidiary included in the consolidation shall have the same financial year as the parent undertaking.

Where a subsidiary's balance sheet date does not precede the parent undertaking's balance sheet date by more than three months or is not more than three months after the parent undertaking's balance sheet date, the subsidiary can be consolidated without preparing interim financial statements provided that notes are presented on this procedure in accordance with the Accounting Decree (1339/1997).

In cases other than those described in subsection 2, interim financial statements of the subsidiary prepared as at the parent undertaking's balance sheet date must be consolidated. The provisions of chapter 1 and chapters 3 through 5 shall apply, where applicable, to the preparation of interim financial statements.

#### **Section 6 (13.7.2001/629)**

##### **Profit and loss account and balance sheet items of a foreign subsidiary**

Balance sheet items of a foreign subsidiary shall be translated into Finnish currency for the purposes of consolidation using the exchange rate at the balance sheet date. Profit and loss account items shall be translated using the average exchange rate for the financial year. Notes to the financial statements shall be translated in the same manner as balance sheet and profit and loss account items. Also other translation methods may be used if they are in accordance with good accounting practice.

#### **Section 7**

##### **Intra-group items and minority interests**

Consolidated financial statements shall show the result of operations and financial position of the group as if the consolidated undertakings were a single reporting entity. Intra-group items relating to transactions between undertakings included in a consolidation shall be eliminated.

Intra-group income and expenses as well as internal distribution of profit shall be eliminated from the consolidated profit and loss account. The portion of the profit or loss of a subsidiary attributable to shares held by persons other than group undertakings shall be shown separately in the consolidated profit and loss account (*minority interests in the consolidated profit and loss account*). In addition, movements in the profits resulting from intra-group transactions that are included in the book values of assets, shall be eliminated.

Receivables and liabilities between group undertakings as well as profits resulting from intra-group transactions that are included in the book values of assets shall be eliminated from the consolidated balance sheet. Amounts attributable to shares in subsidiaries held by persons other than group undertakings shall be shown separately in the consolidated balance sheet (*minority interests in the consolidated balance sheet*).

Intra-group income and expenses as well as internal distribution of profit, receivables and liabilities between the group undertakings as well as profits resulting from intra-group transactions that are included in the book values of assets, and the movements thereto need not be eliminated from the consolidated financial statements, if it is not necessary for the purposes of giving a true and fair view of the group's result of operations and financial position.

The cumulative difference between depreciation made and depreciation required according to a predetermined plan (*accelerated depreciation*) as well as taxation-based reserves shall be shown in

the consolidated balance sheet divided into equity and deferred tax liability, and movements thereon shall be shown in the consolidated profit and loss account divided into movements in deferred tax liability and profit for the financial year. (30.12.2015/1620)

*Subsection 6 has been repealed by Act 30.12.2015/1620.*

#### **Section 8 (30.12.2015/1620)**

##### **Purchase method**

Intra-group ownership of a subsidiary's shares or similar rights of ownership shall be eliminated by setting the acquisition cost off against the group's share of the capital and reserves of the subsidiary as at the date of acquisition. The subsidiary's capital and reserves shall be adjusted to include accelerated depreciation and taxation-based reserves after the deduction of deferred tax liabilities.

If shares or similar rights of ownership in an undertaking were acquired by the group before the undertaking became a subsidiary, the acquisition cost may be eliminated on the basis of the date when the undertaking became a subsidiary. The acquisition cost of shares or similar rights of ownership may also be eliminated on the basis of the subsidiary's capital and reserves as at the date at which the subsidiary was included in the consolidation for the first time, if this has no material effect for the purposes of giving a true and fair view of the group's result of operations and financial position.

If the elimination referred to in subsection 1 gives the result that the acquisition cost of shares or similar rights of ownership is more than the corresponding capital and reserves, the positive difference shall be allocated in proportion to the group's ownership to the values of identifiable assets and liabilities which are considered to be the basis of the difference.

If the elimination referred to in subsection 1, gives the result that the acquisition cost of shares or similar rights of ownership is less than the corresponding capital and reserves, the negative difference shall be allocated in proportion to the group's ownership to the values of identifiable assets and liabilities which are considered to be the basis of the difference.

That proportion of the positive difference which cannot be allocated in accordance with subsection 3 (*goodwill on consolidation*) shall be capitalised and amortised according to a predetermined plan or over its useful economic life. Where the parent undertaking cannot estimate the useful life in a reliable manner, goodwill on consolidation must be depreciated within ten years at the maximum.

That proportion of the negative difference which cannot be allocated in accordance with subsection 4 (*negative goodwill on consolidation*) may be recognised as a separate liability item in the balance sheet provided that a corresponding expenditure or loss is expected in a subsidiary. The negative goodwill on consolidation shall be recognised as income in the consolidated profit and loss account at the time when the corresponding expenditure or losses are recognised as an expense in the subsidiary's profit and loss account or when it is matched by realised income.

#### **Section 9–10**

*Sections 9 and 10 have been repealed by Act 30.12.2015/1620.*

#### **Section 11 (30.12.2015/1620)**

### **Deferred tax arising on consolidation**

If due to consolidation procedures, the group's profit or loss is different from the sum of the individual group undertakings' profits and losses, the tax paid or payable for the financial year and for preceding financial years shall be adjusted to reflect the group's profit or loss, provided that it is probable that actual tax consequences for the group will arise.

### **Section 12**

#### **Obligation to consolidate an associate**

An amount corresponding to the group undertakings' proportion of an associate's profit or loss as well as the movement in capital and reserves shall be shown in the consolidated financial statements in accordance with the provisions laid down in section 13.

An associate need not be included in the consolidated financial statements, if:

- 1) non-inclusion does not materially jeopardise giving a true and fair view of the group's result of operations and financial position; or
- 2) consolidation is hindered by another matter referred to in section 3.

(30.12.2015/1620)

### **Section 13 (30.12.2015/1620)**

#### **Consolidation of an associate**

Whenever possible, an associate's financial statements shall be adjusted before consolidation in accordance with the provisions of section 4 subsection 2. The provisions of section 6 shall apply to the translation of profit and loss account and balance sheet items of a foreign associate into Finnish currency.

When an associate is consolidated for the first time, the acquisition cost of the shares or similar rights of ownership shall be presented in the consolidated balance sheet. The difference between the acquisition cost of the shares or similar rights of ownership and the amount corresponding to the group undertakings' proportion of capital and reserves according to the latest balance sheet shall be disclosed in the notes to the consolidated balance sheet. By way of derogation from this section, the acquisition cost of the shares or similar rights of ownership of the associate may be shown in the consolidated balance sheet by presenting the proportion of the associate's capital and reserves as a separate item as well as the positive or negative difference referred to in the abovementioned note disclosure.

The difference referred to in subsection 2 may also be calculated on the basis of the associate's capital and reserves as at the acquisition date of the shares or similar rights of ownership or, if they were acquired by the group before the undertaking became an associate, on the basis of the capital and reserves as at the date on which it became an associate.

In years subsequent to the first inclusion of an associate in the consolidated financial statements, an amount corresponding to the group undertakings' proportion of the associate's profit or loss shall be shown in the consolidated balance sheet as an addition to or deduction from the acquisition cost.

The acquisition cost shall be reduced by the amount of dividends or other comparable distributions of profit received by group undertakings from the associate since the time of the first inclusion. An amount corresponding to the group undertakings' proportion of the associated undertaking's profit or loss for the financial year shall be shown as income or expense respectively in the consolidated profit and loss account.

An associate's capital and reserves referred to in subsections 2 through 4 above shall include the sum of cumulative accelerated depreciation and taxation-based reserves after the deduction of deferred tax liabilities. For the purposes of calculating the associate's profit or loss referred to above in subsection 4, account shall be taken of movements in accelerated depreciation and taxation-based reserves after the deduction of movements in deferred tax liabilities.

An amount corresponding to the positive difference between the acquisition cost of an associate's shares or comparable rights of ownership and the proportion of capital and reserves calculated in accordance with subsections 2 and 3 above which cannot be related to any category of assets or liabilities of the associate, shall be amortised according to the provisions laid down in section 8, subsection 5. An amount corresponding to the negative difference between the acquisition cost and the proportion of capital and reserves which cannot be related to any category of assets or liabilities, shall be recognised as income according to the provisions laid down in section 8, subsection 6.

Profits corresponding to the group undertakings' proportion of ownership in the associate resulting from transactions between group undertakings and the associate that are included in the book values of assets, as well as movements during the financial year thereto, shall be eliminated from the consolidated financial statements in accordance with the provisions laid down in section 7 subsections 2 and 3 in so far as the necessary information is available. These profits resulting from intra-group transactions and the movements thereon can be left uneliminated, if this does not materially jeopardise giving a true and fair view of the group's result of operations and financial position.

#### **Section 14**

##### **Associate's obligation to provide information**

An associate shall have the obligation to provide the reporting entity with information about its latest financial statements which is necessary for the purposes of preparing the consolidated financial statements.

#### **Section 15**

##### **Consolidation of a joint venture**

Where a group undertaking included in a consolidation manages an associate jointly with one or more other undertakings not included in that consolidation, the balance sheet and profit and loss account items and the notes thereto of the associate (*a joint venture*) may be included in the consolidated financial statements in proportion to the ownership. (30.12.2005/1304)

If the financial statements of a joint venture are consolidated in accordance with subsection 1, section 4 and sections 6 through 8 shall apply where applicable.

#### **Section 16**

## **Consolidated financial statements of an associate**

Where an associate prepares consolidated financial statements and includes them in its financial statements, these consolidated financial statements shall be consolidated as an associate in accordance with sections 12 through 15.

### **Section 17–18**

*Sections 17–18 have been repealed by Act 30.12.2004/1304.*

### **Section 19**

#### **Retention of consolidation calculations**

Calculations for the preparation of consolidated financial statements shall be retained in accordance with the provisions laid down in chapter 2, section 10, subsection 1.

### **Chapter 7 (30.12.2015/1620)**

Chapter 7 has been repealed by Act 30.12.2015/1620.

### **Chapter 7 a (30.12.2004/1304)**

## **Financial statements and consolidated financial statements prepared in accordance with international financial reporting standards**

### **Section 1 (30.12.2015/1620)**

#### **International financial reporting standards**

International financial reporting standards referred to in this Act and in decrees issued based on the provisions of this Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in the IAS Regulation.

### **Section 2 (30.12.2004/1304)**

#### **Obligatory application of international financial reporting standards**

A reporting entity which has issued securities admitted to trading in a regulated market in the European Economic Area shall prepare its consolidated financial statements in accordance with the international financial reporting standards.

If the reporting entity referred to in subsection 1 is not required under this Act to prepare consolidated financial statements, its individual financial statements shall be prepared in accordance with international financial reporting standards.

### **Section 3 (30.12.2004/1304)**

#### **Voluntary application of international financial reporting standards**

A reporting entity referred to in section 2 subsection 1 may prepare its financial statements in accordance with international financial reporting standards.

A reporting entity other than those referred to in section 2 may prepare its financial statements or consolidated financial statements in accordance with international financial reporting standards, if the financial records, financial statements and management report and governance of the reporting entity are subject to an audit in accordance with the Auditing Act.

#### **Section 4 (30.12.2004/1304)**

##### **Application of the Accounting Act to financial statements and consolidated financial statements prepared in accordance with the international financial reporting standards**

Chapter 1 sections 4, 7 and 8, chapter 3, section, 1 subsections 1–3 and 7 and sections 2–4, chapter 4 and 5 and chapter 6, section 2, subsections 1, 2 and 4 and sections 3–16 of this Act are not applicable to financial statements and consolidated financial statements prepared in accordance with the provisions set out in sections 2 and 3 above.

#### **Section 5 (30.12.2004/1304)**

##### **Supplementary additional information**

A government decree may require financial statements and consolidated financial statements prepared in accordance with international financial reporting standards to include supplementary additional information not required by international financial reporting standards.

## **Chapter 8**

### **Various provisions**

#### **Section 1 (30.12.2015/1620)**

##### **Promotion of the intent of the Act and supervision**

Instructions and statements concerning observance and application of this Act shall be given by the Accounting Board established by the Ministry of Economic Affairs and Employment. The Ministry publishes statements of the Board aimed at promoting good accounting practice.

The Finnish Patent and Registration office supervises compliance with the filing requirement provided for in chapter 3, section 9. If the obligation is neglected, the Finnish Patent and Registration office may demand under penalty of fine that the person with an obligation to sign the financial statements in accordance with chapter 3, section 7 submit the financial statements for registration within a time limit specified by the Board. The conditional fine is provided for in the Conditional Imposition Fine Act (1113/1990). The decision by which a conditional imposition fine was set may not be appealed.

The Financial Supervisory Authority supervises compliance with this Act regarding:

1) supervised entities referred to in section 4 of the Act on the Financial Supervisory Authority (878/2008); and

2) reporting entities reporting under the international financial reporting standards to the extent provided for in the Act on the Financial Supervisory Authority.

## **Section 2**

### **The Accounting Board**

Accounting Board may issue instructions and statements on the application of this Act on application by official authorities, trade or municipal organisations or reporting entities. (30.12.2015/1620)

For specific reasons, the Accounting Board may grant exemptions for a limited period of time in individual cases from chapter 3 section, 6 and chapter 6, section 5, subsection 1. An exemption may only be granted if it is not in conflict with provisions on financial statements and consolidated financial statements given by the European Union. (30.12.2015/1620)

The provisions on the Accounting Board's authority and duties laid down in subsections 1 and 2 shall not apply to the entities referred to in section 1, subsection 3 paragraphs 1–28 or to other reporting entities as regards reporting under international financial reporting standards referred to in chapter 7 a, section 1. Notwithstanding the above, the Accounting Board can issue statements on the application of the standards to the Financial Supervisory Authority and to the Insurance Supervisory Authority for their supervisory responsibilities referred to in section 1 and to a reporting entity referred to in section 37 of the Act on the Financial Supervisory Authority, which has requested a statement as referred to in the Act. (30.4.2010/304)

The Accounting Board consists of a chairman and a deputy chairman and no less than six and no more than ten other members appointed by the Government for three calendar years at a time. A deputy member shall be appointed in the same way for each member with the exception of the chairman. Members of the Accounting Board must well acquainted with accounting matters. One of the members and his deputy must have a Master's degree in law.

The Accounting Board constitutes a quorum when the chairman or the deputy chairman and at least half of the other members are present. When considering applications for an exemption referred to in subsection 2, at least one of those present must have a Master's degree in law. (30.12.2004/1304)

Within the Accounting Board there is a municipality sub-committee. Also other sub-committees may be set up within the Accounting Board, either permanently or for a specified period of time. Sub-committees may have members from outside of the Accounting Board. Details of the duties, composition, setting up and quorum of a sub-committee shall be provided for in a government decree. (30.12.2015/1620)

A state office for the secretary of the Accounting Board may be set up in the Ministry of Economic Affairs and Employment. (30.12.2015/1620)

A decision of the Accounting Board may not be appealed.

## **Section 3 (21.5.1999/630)**

### **Disclosure of confidential information**

Notwithstanding the secrecy provisions of the Act on the Openness of Government Activities (621/1999), for the purpose of investigating an offence, a member of the Accounting Board as well as a person carrying out the supervision of law may submit information to pre-trial investigation authorities and the public prosecutor about a reporting entity's or a third party's commercial secret or about a third party's financial position or personal conditions received while carrying out duties in accordance with this Act.

#### **Section 4 (7.6.2013/399)**

##### **Accounting offence**

A person who deliberately or by gross negligence:

- 1) fails to make accounting entries within the time limit laid down in chapter 2, section 4, subsection 3;
- 2) fails to attach a receipt signed by the employee or another substantiation verifying the payment for any pay paid in the form of cash referred to in chapter 2, section 5 a to a voucher referred to in chapter 2, section 5;
- 3) fails to retain accounting material in accordance with chapter 2, section 10; or
- 4) neglects the filing requirement referred to in chapter 3, section 9,

shall be sentenced to a fine for an *accounting offence*, unless the offence is punishable as an accounting crime or a negligent accounting crime according to the Criminal Code (39/1889) chapter 30, section 9, 9 a or 10 and if it is not subject to a more severe punishment provided elsewhere in the law.

(30.12.2015/1620)

Punishment shall not be imposed for a minor offence.

#### **Section 5 (30.12.2015/1620)**

##### **Provisions concerning accounting elsewhere in the law**

Notwithstanding the provisions of this Act, provisions laid down elsewhere in the law as well as on the basis of the law as regards the obligation to keep accounting records and accounting as well as the publication of financial statements and management report shall apply.

Another provision or order referred to above in subsection 1 cannot oblige a small undertaking established as a limited liability company to prepare or publish other information than those required in this Act or the provisions provided under it. The provisions in this subsection governing limited liability companies shall also apply to such general or limited partnerships where all personally liable partners are limited liability companies.

By way of derogation from the provisions of subsection 2, a small undertaking may be obliged to include other information in its financial statements than that referred to in this Act and the provisions provided under it, provided that:

- 1) such information is collected in a common system;
- 2) the requirement is based on tax legislation; and
- 3) the information is collected solely for the purpose of levying taxes.

#### **Section 6 (30.12.2015/1620)**

##### **More detailed provisions**

More detailed provisions on balance sheet and profit and loss statement disclosures, management report, the cash flow statement, the notes to the financial statements and corresponding statements, documents and notes relating to the preparation of consolidated financial statements and details to balance sheet items and details to notes to the financial statements shall be given in a government decree, separately for small/micro undertakings and other reporting entities

The Ministry of Economic Affairs and Employment may issue a decree to adjust the limits referred to in chapter 1, sections 4 a through 4 c in order to fulfil requirements of an international treaty that binds Finland.

## **Chapter 9**

### **Entry into force and transitional provisions**

#### **Section 1**

##### **Entry into force**

This Act shall enter into force on December 31, 1997.

This Act shall revoke the Accounting Act (655/1973) of August 10, 1973 and all subsequent amendments thereto. However, the Decree on the Accounting Board (784/1973) of October 19, 1973 shall remain in effect with the exception of section 8 subsection 3. Also the Accounting Decree (1575/1992) of December 30, 1992 shall remain in effect.

Measures necessary for the purpose of the implementation of this Act can be taken before this Act enters into force.

#### **Section 2**

##### **Transitional provisions**

This Act shall be first applied to the accounts for the financial year starting on January 1, 1998 or thereafter. A reporting entity may apply this Act to the accounts for the financial year during which this Act enters into force. A corporation referred to in chapter 3, section 9, subsection 1, paragraphs 1 through 3 may apply provisions that were in force before the introduction of this Act to the accounts for a financial year ending on June 30, 1999 or earlier and other reporting entities to the accounts for a financial year ending on December 31, 1999 or earlier. (30.4.1998/300)

Notwithstanding the provisions of chapter 5 section 17 of this Act, a reporting entity need not separately disclose revaluations made prior to year 1974. In addition, revaluations set up before the

introduction of this Act may be treated in accordance with the provisions that were in force at the time of the revaluation.

Research and development expenditure capitalised in the balance sheet before the introduction of this Act may be amortised according to the provisions that were in force before the introduction of this Act.

Notwithstanding the provisions of chapter 6, section 18 of this Act, finance lease agreements and sale and leaseback agreements entered into before the introduction of this Act may be treated in accordance with the provisions that were in force before the introduction of this Act.

Notwithstanding the provisions of chapter 6 section, 8 subsection 1 and section 13 subsection 5, the capital and reserves of subsidiaries and associates acquired before the introduction of this Act may be determined according to the provisions that were in force at the time of the acquisition.

Expenditure arising from a reporting entity's pension commitments which did not have to be charged to the profit and loss account prior to the introduction of this Act, shall be recorded in the financial statements for the financial year ending on December 31, 2000, at the latest. If expenditure relating to pension commitments has not been recorded in the financial statements, liabilities arising from pension commitments and amounts due to a pension fund in order to cover its deficit, shall be disclosed in the notes.

**Amendments to the law will come into force as follows:**

**30.4.1998/300**

This Act shall enter into force on 1 September 1998.

**10.7.1998/529**

This Act shall enter into force on 1 September 1998.

**21.5.1999/630**

This Act shall enter into force on 1 December 1999.

**13.7.2001/629**

This Act shall enter into force on 31 December 2001.

This Act shall be first applied to the accounts for the financial year starting on 1 January 2002 or thereafter. A reporting entity may apply this Act to the accounts for the financial year during which this Act enters into force.

**28.12.2001/1495**

This Act shall enter into force on 31 December 2001.

This Act shall be first applied to the accounts for the financial year starting on 1 January 2002 or thereafter. A reporting entity may apply this Act to the accounts for the financial year during which this Act enters into force.

#### **31.1.2003/62**

This Act shall enter into force on 31 April 2003.

#### **25.4.2003/326**

This Act shall enter into force on 1 January 2004.

#### **6.6.2003/456**

This Act shall enter into force on 1 August 2006.

The obligation to keep accounting records as referred to in this Act shall first apply to the first financial year beginning after this Act enters into force.

Measures necessary for the purpose of the implementation of this Act can be taken before the Act enters into force.

#### **30.12.2004/1304**

1. This Act shall enter into force on 31 December 2004. This Act shall be first applied to the accounts for the financial year starting on 1 January 2005 or thereafter unless provided otherwise below.

2. This Act shall revoke the Decision of the Ministry of Trade and Industry as of 21 October 1998 (766/1998) and all subsequent amendments thereto, on the preparation of consolidated financial statements in accordance with accounting standards generally applied in international capital markets, as well as the Decision of the Ministry of Trade and Industry as of 26 January 1998 (48/1998) on the recognition of an asset under a finance lease in the consolidated financial statements.

3. A reporting entity may apply this Act to the accounts for the financial year during which this Act enters into force.

4. However, chapter 7a section 2 on the obligatory application of international financial reporting standards is applied to reporting entities for financial years starting on 1 January 2005 or thereafter. If securities issued by the reporting entity and traded publicly include debt securities only, the section in question is applied for financial years starting on 1 January 2007 or thereafter.

5. A reporting entity that is, when this Act enters into force, permitted to prepare consolidated financial statements in accordance with international standards on the basis of the Decision of the Ministry of Trade and Industry now to be revoked, may prepare its consolidated financial statements in accordance with that decision for the financial year ending on or before 31 December 2004.

6. Formation costs and research expenditure capitalised in the balance sheet before this Act comes into force may be amortised in accordance with the provisions that were in force before this Act enters into force.

7. Revaluations set up before this Act enters into force may be treated in accordance with the provisions that were in force before this Act enters into force.

8. What is provided elsewhere in the law about financial statements prepared in accordance with the Accounting Act shall apply t, where applicable, to the management report, unless specifically provided otherwise.

**30.12.2004/1312**

This Act shall enter into force on 1 January 2005. Measures necessary for the purpose of the implementation of this Act can be taken before the Act enters into force.

**22.12.2006/1326**

This Act shall enter into force on 31 December 2006.

**13.4.2007/460**

This Act shall enter into force on 1 July 2007.

**22.12.2009/1605**

This Act shall enter into force on 1 July 2010.

**30.4.2010/304**

This Act shall enter into force on 1 May 2010.

**24.6.2010/610**

This Act shall enter into force on 1 July 2010.

**7.6.2013/399**

This Act shall enter into force on 1 July 2013.

**7.3.2014/191**

This Act shall enter into force on 15 March 2014.

**18.9.2015/1208**

This Act shall enter into force on 1 January 2016.

**30.12.2015/1620**

This Act shall enter into force on 1 January 2016. This Act shall be first applied to the financial years starting on 1 January 2016 or thereafter. A reporting entity may apply this Act to financial statements prepared after this Act enters into force.

Notwithstanding the provisions of chapter 5 section 2 a on the recognition and presentation of financial instruments at fair value, a reporting entity may apply to a financial instrument recognised at fair value before this Act comes into force, the provisions that were in force when the instrument was first recognised.

Notwithstanding the provisions of chapter 5 section 5 b, the provisions that were in force when this Act comes into force may be applied to financial leases entered into before this Act enters into force.

Notwithstanding the provisions of chapter 3 section 8 subsection 2 on recognition of development expenditure as an expense, and of the said chapter section 9 on recognition of the acquisition cost of goodwill as an expense and section 11 on recognition of other long-term expenditure as an expense, a reporting entity may apply to development expenditure, goodwill and other long-term expenditure capitalised before this Act enters into force, the provisions that were in force when those expenditures were recognised as an expense.

Notwithstanding the provisions of chapter 5 section 12 subsection 2, an association, an association of right of occupancy and other similar entity as well as a foundation may depreciate without a predetermined plan the acquisition cost of a non-current asset acquired before this Act enters into force.

## **29.12.2016/1376**

This Act shall enter into force on 31 December 2016.

Sections 2, 2a, 3 and 4 of chapter 3 shall be first applied to the financial statements and management report prepared for the financial year ending on 31 December 2016.

Chapter 3 a shall be first applied to the management report and separate report prepared for the financial year ending on 31 December 2017.