

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

GRFS 1 - Bookkeeping and annual report and accounts

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1.1 Basis and definitions

1.1.1 Purpose and scope

This standard provides guidelines for good accounting practices for external accountancy in the service areas of bookkeeping and annual report and accounts.

The purpose of the standard is to state what external Accounting Firms generally must take as a basis for good practices in this service area.

The standard applies to authorized accountants pursuant to the Accountants Act, but is at the same time limited to employment through a business which undertakes financial reporting for others.

The standard indicates mandatory requirements with bold fonts, given that the respective requirements pertain to tasks which it has been agreed to expedite in accordance with the accounting services agreement. These have also been summarized in Chapter 1.8. The rest of the contents of the standard consists of recommendations. However, the entire standard must be taken as a whole, as the supplementary text, in addition to giving specific guidance, elaborates upon and explains the contents of the fundamental principles and activities necessary to comply with the requirements on business activity in keeping with Generally Accepted Accounting Principles.

The user of the standard must take into account the fact that the accounting sector is in a continuous process of development, for example as a result of technical innovations, statutory matters and market adaptations. The result of this is that solutions other than those adhering to the letter of the standard may be fully acceptable. However, the intentions of the standard must be satisfied by the Accounting Firm. The Accounting Firm must be prepared to account for any non-conformities.

The framework which accounting firms must deal with is described in the standard Generally Accepted Accounting Principles for external accountancy, service area 0 – General issues relating to accounting services assignments. Herein are also stated which assumptions external accounting firms normally must fulfil in order to undertake assignments.

In addition to this and the standard referred to in the previous paragraph, standards have been prepared within other specific service areas. This standard must be taken in the context of these¹.

1.1.2 Definitions

For a better understanding of what this standard means by the terms:

- authorized accountant
- Accounting Firm
- person responsible for the assignment
- co-worker
- Principal
- accountancy
- documentation
- accounting material
- reports
- period

please refer to GRFS 0 - General issues relating to accounting services assignments, Item 0.1.2.

1.2 Bookkeeping and processing of accounting materials

1.2.1 The Principal's interests

The Accounting Firm must carry out the bookkeeping in accordance with the requirements laid down in the legislation, generally accepted accounting practices, good bookkeeping practices, the accounting services agreement and otherwise contribute to safeguarding the Principal's interests.

¹ Cf. the preliminary GRFS 2 - Payroll and preliminary GRFS 3 - Invoicing.

Insofar as the Accounting Firm has had access to the documentation in accordance with the accounting services agreement, the service obligations must be met punctually.

The Accounting Firm must organize the accounting so that requirements in connection with regulatory reporting obligations and other duties which may follow from the accounting services agreement are discharged.

1.2.2 The Principal's internal routines

When an assignment is established, the Accounting Firm along with the Principal must evaluate those of the Principal's internal routines which affect the assignment and adapt these in a manner which ensures prudent accounting.

This entails, depending on relevance to the job, contributing towards:

- a. the Principal preparing mandatory documentation etc., which meets standards for formal contents², cf.
 - requirements related to invoices and other sales documentation³
 - cash register tapes⁴ And other substantiation of cash revenue (daily settlement⁵ etc.⁶)
 - appointments⁷
 - working hours registration system⁸
 - payroll documentation⁹
 - inventory lists¹⁰
 - merchandise withdrawal documentation¹¹
 - travel expense documentation¹²
 - entertainment documentation¹³
 - special tax specifications¹⁴
 - business sector-specific legislation¹⁵
- b. the Principal is familiar with requirements related to the contents of purchase documentation¹⁶ and documentation of payment transactions¹⁷
- c. the cash management is prudent, for example by recommending that all expenses in the business are paid with funds from the business's own account and not from the

² cf. Chapters 5 and 8 of the Bookkeeping Regulations, (documentation and additional provisions for individual sectors, respectively)

³ cf. the Bookkeeping Regulations, Sections 5-1-1 and 5-1-3 (main rules)

⁴ cf. the Bookkeeping Regulations, Sections 5-3-2 and 5-3-3 (summation tapes)

⁵ cf. the Bookkeeping Regulations, Section 5-3-3

⁶ cf. the Bookkeeping Regulations, Section 5-4 (cash register exemption, etc.)

⁷ cf. the Bookkeeping Regulations, Section 8-4-2

⁸ cf. the Bookkeeping Regulations, Section 8-4-1

⁹ cf. the Bookkeeping Regulations, Section 5-6

¹⁰ cf. the Bookkeeping Regulations, Section 6-1

¹¹ cf. the Bookkeeping Regulations, Section 5-8

¹² cf. the Bookkeeping Regulations, Section 5-9

¹³ cf. the Bookkeeping Regulations, Section 5-10

¹⁴ cf. the Special Tax Regulations of 11 December 2001, Section 5-8

¹⁵ cf. Chapter 8 of the Bookkeeping Act

¹⁶ cf. the Bookkeeping Regulations, Section 5-5

¹⁷ cf. the Bookkeeping Regulations, Section 5-11

- owner's/owners' private accounts, has a separate register for the daily cash revenue and a petty cash box for payment of bills, etc.¹⁸
- d. the documentation routines are satisfactory, for example by the documentation being organized in uniform voucher groups and systematically arranged
 - e. the Principal submits and substantiates in writing documentation to the extent this is necessary to legitimate the recorded information
 - f. the Principal is aware of what he must follow up in the reports and public statements received
 - g. the Principal is familiar with the systematics of returned documentation, if this deviates from that of receipt
 - h. the Principal is familiar with his duty of safekeeping of accounting materials¹⁹
 - i. the Principal has access to obligatory documentation on those parts of the accounting system²⁰, including payroll system²¹ and cash register system²², which the Principal operates

If the Accounting Firm encounters deficiencies or errors in the Principal's internal routines during the assignment, this matter must be raised with the Principal. In the event of material breach or repeated occurrences, written notification must be given.

1.2.3 Processing of accounting materials

1.2.3.1 Tidiness in documentation

If the Principal's documentation is not organised at the time of receipt, the material must be organised by the Accounting Firm.

1.2.3.2 Safekeeping

The Accounting Firm must ensure satisfactory safekeeping of the Principal's documentation when in possession of this documentation.

Documentation which is not recorded should be kept in fireproof storage.

1.2.3.3 Overview of reception and submission

The Accounting Firm must either maintain a log of documentation received or alternatively keep an overview of delayed delivery.

An overview must be kept of the time of reporting and submission of accounting materials.

Where submission does not follow set procedures, one must evaluate whether the overview is to contain the signature of the recipient as well as a note about what is included in the submission and how it is carried out.

¹⁸ cf. Section 7, third subsection of the Bookkeeping Act

¹⁹ cf. Section 13 of the Bookkeeping Act

²⁰ cf. Section 6, second subsection of the Bookkeeping Act

²¹ cf. the Bookkeeping Regulations, Section 5-6, last subsection

²² cf. the Bookkeeping Regulations, Section 5-3-4

If accounting materials are sent electronically, sufficient information (a log, for example) should be available in order to check what has been transferred and when the Accounting Firm has received or sent the material. This is in order to be able to document when information has been transmitted, as well as to enable reconstruction if something is destroyed or lost.

However, e-mail is processed in the same way as traditional post. The Accounting Firm must retain copies (on paper or stored electronically) to the extent necessary for documentation of the assignment²³.

1.2.4 Entering of accounting information

1.2.4.1 Follow-up of documentation and bookkeeping

The Accounting Firm must make sure that the form and contents of the documentation conform with statutory documentation requirements.

If the Accounting Firm encounters breaches of the documentation requirements, the matter must always be raised with the Principal. In instances of material breach or repeated occurrences, written notification must be given.

When entering transactions and other accounting dispositions, the Accounting Firm must independently consider matters relating to bookkeeping accounts, recognition in the balance sheet versus recognition in the profit and loss account and matters relating to tax and duties management. Any disagreements with the Principal must be settled.²⁴

However, provided that the transactions have been satisfactorily documented, the Accounting Firm has no duty to verify the content of the accounting beyond the ordinary internal control of the bookkeeping process, cf. chapter 1.3. This applies to the extent that the Accounting Firm does not understand, or should understand, that the content of the documentation is incorrect or improbable.

If the Accounting firm suspects that a transaction is related to matters comprised by the Money Laundering Act,²⁵ the firm must investigate and report in accordance with the above-mentioned act.

1.2.4.2 Traceability

The Accounting Firm shall help ensure that the requirement relating to two-way audit trails between documentation, specifications and obligatory financial reporting is complied with.²⁶

1.2.4.3 Choice of accounting principles - principles and evaluations

The Accounting Firm must evaluate whether the Principal should be informed about the right to choose between the different accounting principles,²⁷ and assessment rules,²⁸. Where the Principal

²³ Cf. Section 1.5.1.

²⁴ Cf. Section 1.4.1.3.

²⁵ cf. Section 5 of the Money Laundering Act of 20 June 2003, No. 41,

²⁶ Cf. the Bookkeeping Act, Sections 4, No. 7 and 10, second subsection

²⁷ cf. for example the right contained in the Accounting Act for small enterprises to choose between accounting principles,

²⁸ cf. for example the right contained in the Accounting Act for small enterprises to choose between accounting principles.

is not informed after an assessment as mentioned, the principle rules shall normally be used as a basis.

For Principals that are not legally bound to provide annual accounts pursuant to the Accounting Act, but who have a duty to provide a trading statement pursuant to the Assessment Act, the Principal must be correspondingly informed, so that he can determine whether the accounts should be settled according to the tax or accounting principles, cf. subsection 1.4.2.2.

1.2.4.4 Chart of accounts

The chart of accounts is adapted to the Principal, but should insofar as possible follow the standard Norwegian chart of accounts²⁹. When choosing bookkeeping accounts, particular care must be taken to ensure compliance with the tax and duty provisions.

1.2.4.5 Documentation of accounting systems

The Accounting Firm must ensure that documentation exists for the parts of the accounting system which the Accounting Firm uses during execution of the assignment, which describe the control possibilities and how the system-generated items can be tested³⁰.

It must be possible to present documentation for the entire safekeeping period³¹. This also applies after termination of the assignment.

1.2.4.6 Consistent routines

The Accounting Firm should seek to establish consistent routines for the handling of documentation and registration of accounting information for all Principals.

1.2.4.7 Description of transactions

Where appropriate and possible, the transactions in the accounting system should be described in further detail.

1.2.4.8 Interim accounting

If there is any uncertainty as to what account should be used, interim accounting may be used³² whilst awaiting instructions from the Principal regarding the correct bookkeeping. The Accounting Firm must as soon as possible procure prudent documentation for entries in the relevant account.

1.2.4.9 Correction of errors and non-conformities

For correction of errors and non-conformities where the original documentation does not clearly provide the background for the corrections, these must be substantiated and normally be authorized by the Principal.³³

1.2.4.10 Self-produced documentation

²⁹ NS 4102:2005 – Standard chart of accounts and statement of accounts

³⁰ cf. Section 6, second subsection of the Bookkeeping Act

³¹ Cf. the Bookkeeping Act, Section 13 1, subsection 3 and second subsection, first sentence (10 years)

³² Interim accounting = Temporary entries.

³³ cf. the Bookkeeping Regulations, Section § 5-12

If the Accounting Firm issues documentation, it must be worded in such a way that it becomes clear what the documentation is about. Self-produced documentation which cannot be substantiated by other adequate documentation must be approved by the Principal.³⁴

1.3 Reconciliation

1.3.1 Purpose

Reconciliation entails quality-assuring that the figures that have been entered correspond with the actual information stated.

1.3.2 External information

External information and documentation must be obtained when this is necessary to ensure correct reconciliation.

1.3.3 Documentation and verification

Sufficient documentation must be available to ensure that the reconciliation can be verified.

Unless practical considerations dictate otherwise, the necessary specifications for the reconciliation shall be stored with the Accounting Firm³⁵. It must in any case be possible to procure the necessary reconciliation material upon request from the regulatory body.

1.3.4 Periodic closing of accounts

Each account in the balance sheet, and if relevant also in the profit and loss account, must be reconciled if this has been stipulated by law, or is considered essential to safeguard the quality of the accounting report. The Accounting Firm must be able to substantiate the scope and frequency of the relevant reconciliations.

As a minimum, the following accounts in the balance sheet must be reconciled at each periodic closing of the accounts:

- a. customer and accounts payable³⁶
- b. bank accounts
- c. cash
- d. tax owed
- e. settlement account value added tax
- f. employers' contribution owed

Nonconformities must be followed up.

See also Item 1.3.6 for more information about the content of the reconciliations referred to.

³⁴ Cf. the Bookkeeping Regulations, Section § 5-12

³⁵ Cf. Section 1.5.3

³⁶ Cf the Bookkeeping Act, Section 5 1. subsections no. 2 and 3

1.3.5 The annual accounts

All accounts in the balance sheet, as well as the necessary profit and loss accounts, must be reconciled before the final annual accounts are prepared.

Nonconformities must be followed up.

1.3.6 More details about the individual reconciliations

1.3.6.1 Inventory

The inventory accounts must be reconciled against the inventory list at least once a year, or a summary of this must be provided. It must be ensured that the inventory lists comply with the regulatory specification requirements³⁷.

1.3.6.2 Customer and accounts payable

For each period throughout the year and as a minimum, a visual control shall be conducted of whether the customer and contractor accounts seem reasonable. Any unclear matters must be discussed with the Principal. In more complex cases, this must take place in writing.

In connection with the annual accounts, incoming statements of account must be reconciled against the accounts. As a minimum, balance statements distributed according to age or specified accounts, including any notes, must be stored with the Accounting Firm³⁸. Any unclear matters must be discussed with the Principal, so that the accounts appear reasonable and there normally is a correlation between the latest ??open items and the balance.

1.3.6.3 Bank accounts

The accounts for bank in the balance sheet must be reconciled for each period against the bank's statement of account.

1.3.6.4 Cash

For Principals with cash revenues the accounts for cash are reconciled periodically against statutory documentation of cash revenue (daily settlement). Cash book holdings are reconciled against the balance for associated accounts according to each period's registration.

At the end of the year, it must be ensured, for each register, that documentation exists for the inventory count and that this corresponds with the accounts.

If the Accounting Firm at any time finds that the cash holdings are improbable, this must be discussed with the Principal. It must be possible to prove retrospectively how this issue has been raised and processed further.

³⁷ Cf. the Bookkeeping Regulations, Section § 6-1

³⁸ Cf. Section 1.5.3

1.3.6.5 Tax owed

The Accounting Firm must reconcile accounts for tax owed for each tax deduction date by checking that submitted declarations and payments correspond with the booked quantity.

The Accounting Firm must check after each period that special accounts for tax deduction contain sufficient means to cover any tax owed, or that a sufficient bank guarantee is available. If this is not the case, the Accounting Firm must inform the principle without delay.

In connection with the annual accounts, tax deducted must be reconciled against the end of year statement for employers' contribution - Accompanying form to the certificate of pay and tax deducted (RF-1025).

1.3.6.6 Settlement account value added tax

The Accounting Firm must reconcile the settlement account value added tax for each tax payment date by checking that submitted declarations and payments correspond with the booked quantities and the basis for the value added tax.

1.3.6.7 Employers' contribution owed

The Accounting Firm must reconcile the employers' contribution owed for each employers' contribution payment date by checking that submitted declarations and payments correspond with the booked quantities and the basis for the value added tax.

In connection with the annual accounts, the estimated employers' contribution must be reconciled against the end of year statement - Accompanying form to the certificate of pay and tax deducted (RF-1025) and Control of registered and reported amounts (RF-1022).

1.4 Reports

1.4.1 Periodic accounting reports

1.4.1.1 Frequency

Periodic accounting reports and obligatory specifications³⁹ must be prepared throughout the year in accordance with the frequency specified in the accounting services agreement.

The need for and benefit of periodic accounting reports, for instance for management purposes, should be pointed out to the Principal. For limited companies one must be particularly aware of the managing director's reporting duties⁴⁰ to the board.

1.4.1.2 Contents

Periodic accounting reports must be based on reconciled figures⁴¹.

³⁹ Cf. the Bookkeeping Act, Section 5 and the Bookkeeping Regulations, Section 3-1

⁴⁰ Limited Liability Companies Act and Public Limited Liability Companies Act, Section 6-15

Furthermore, it is advisable to:

- a. report in accordance with the specification which one presumes is best suitable for the Principal, preferably based on the principles for the structure of the income statement and balance sheet according to the Accounting Act
- b. report an age-distributed overview of unsettled accounts receivable and accounts payable
- c. accrue substantial income and costs, including for example cost of sales (for example based on gross profit calculations) and depreciation on operating equipment
- d. use the same accrual principles from period to period
- e. inform the Principal if any changes have been made to the report's statement form, specification degree etc. or if any changes have been made to the accrual principles

1.4.1.3 Comments

The accounting reports shall in general be commented on.

It is particularly important to comment on essential assumptions which the accounts are based on and that the Accounting Firm cannot expect the Principal to be aware of or see the importance of.

If, in connection with the accounting services, the Accounting Firm discovers breaches of accounting, bookkeeping, tax or fiscal acts on the part of the Principal, this must always be pointed out to the Principal in writing,⁴². In addition, any ambiguities and questions must be raised.

Furthermore, it should be evaluated whether it is necessary to comment on any negative developments in the Principal's equity, liquidity and/or earnings.

1.4.2 Annual accounts including tax assessment statements

1.4.2.1 Annual account requirements

Income statement and balance sheet according to the Accounting Act⁴³ or the Assessment Act must be based on reconciled and documented list of ledger balances⁴⁴.

The Accounting Firm shall also:

- a. **review comments on periodic accounts, auditor's numbered letters and other correspondence⁴⁵ to ensure that everything has been answered and corrected**
- b. **Prepare additional information (notes), with clear references to the relevant items in the accounts**
- c. **inform the Principal about the requirement related to signatures⁴⁶**
- d. **inform the principal about the requirement related to safekeeping of the annual accounts⁴⁷**

⁴¹ Cf. Section 1.3.4

⁴² Cf. the Accountants Regulations Section 3-1

⁴³ The Accounting Act Sections 6-1, 6-2 and regulations given pursuant to 9-1, 3. subsection.

⁴⁴ Cf. subsection 1.3.5 and the Bookkeeping Act, Section 11

⁴⁵ Cf subsection 1.5.3.2 letters g – i

⁴⁶ Cf. the Accounting Act Section 3-5 (annual accounts) and the Assessment Act Section 4-5 (tax assessment statements)

⁴⁷ Cf. section 13 of the Bookkeeping Act and chapter 6 of the Bookkeeping Regulations

1.4.2.2 Principals without a duty to submit annual accounts

Principals who are not required to submit annual accounts according to the Accounting Act should in general base their income statement and balance sheet on the Act's assessment rules, even if they only have a statutory duty to prepare tax-assessed accounts. One of the reasons why this is recommended is that account-assessed accounting reports provide better management tools, and will be more useful for any external users of the accounts other than the tax assessment authorities, such as credit institutions and other creditors.

The Principal must be informed of different considerations of interests, so that the Principal can choose which accounting method to use. The Principal should also be informed that the accrued principle will in any case be applied as a tax-related accruals principle. This entails that the choice of accounting method does not affect the tax result.

1.5 Documentation of executed assignment

1.5.1 Documentation System

An orderly and easy-to-follow system must be established for each Principal. The system must take into account the requirements relating to documentation of the Accounting Firm's work for the Principal.

The documentation may, in full or in part, be saved electronically, provided that the history can easily be retrieved.

The system will hereinafter be referred to as assignment documentation.

The assignment documentation consists of internal working documents for the Accounting Firm, and is the property of the Accounting Firm. The assignment documentation must not contain original accounting material which according to law must be stored by the Principal.

1.5.2 The purpose of the assignment documentation

The purpose of the assignment documentation is to collect essential information about the Principal and his financial reporting, and to ensure that reconciliations are carried out and documented in an orderly manner.

Moreover, the assignment documentation shall function as a suitable tool in the continuous accounting work, both for the person responsible for the assignment and other co-workers who require access to information relating to the individual Principal.

1.5.3 Contents and use of the assignment documentation

1.5.3.1 Progress

All completed and main stages of the work must be dated and registered for each Principal, including reconciliations, production of statements and reports, as well as quality control.

The Accounting Firm must be able to date and explain what each stage of the work comprised and on this basis also be able to prove that the work has been performed in accordance with the accounting services agreement.

1.5.3.2 Documentation

The assignment documentation must, to the extent that the documents is relevant, contain:

- a. Regular information, including accounting services agreement, progress forms and quality control documentation⁴⁸
- b. Reconciliation of assets, including the necessary specification of these
- c. Reconciliation of liabilities, including the necessary specification of these
- d. Reconciliation of profit and loss accounts
- e. Annual accounts with statutory statements and tax assessment statements including traceability specifications for the annual accounts and trading statement
- f. Obligatory specifications as of year-end⁴⁹
- g. Budgets and periodic accounting reports
- h. Auditor's correspondence
- i. Other correspondence

Assignment documentation is used continuously throughout the year. It must be evaluated whether there is a need for a separate description of how the system is built up and used.

1.5.3.3 Access

Assignment documentation in the form of customer folders must not be lent to the Principal, accountant or others without special approval from the general manager of the Accounting Firm and from the person responsible for the assignment.

Assignment documentation must under no circumstances be lent if there is a risk that the content may be lost.

1.5.4 Safekeeping of assignment documentation

The Accounting Firm must keep the assignment documentation in an organised and prudent manner for 10 years from the end of the accounting year.

The Accounting Firm's own copies of periodic accounts and reconciliation documentation relating to this may, however, be kept for a shorter period if the person who is responsible for the assignment and the Accounting Firm find it reasonable. In this respect it is particularly important to consider whether it is likely that the accounts will be audited or subject to any other form of examination. Such documentation must in any event be kept for a minimum of two years from the end of the accounting year.

⁴⁸ Cf. chapter 1.6

⁴⁹ The Bookkeeping Act, Section 5 and the Bookkeeping Regulations, Section 3-1

1.6 Quality control

1.6.1 Internal quality control requirements

1.6.1.1 Systematic review

The Accounting Firm must implement a systematic review to ensure that the routines are carried out as presumed.

Quality control is a significant part of the Accounting Firm's internal control.

1.6.1.2 Scope and frequency

The Accounting Firm must be able to prove and document that the quality control is performed at a scope and frequency which ensure correct processing. It is particularly important to quality control complex matters and the work of unauthorized personnel⁵⁰.

1.6.2 General internal control at assignment level

The person who is responsible for the assignment or another authorized accountant must check the following for each principal at least once a year:

- a. The accounting services agreement is up-to-date
- b. Authorizations have been documented in writing
- c. Overview (log) of received and submitted accounting material and other information to and from the Principal respectively is updated continuously⁵¹
- d. Reconciliations are performed periodically and are satisfactorily documented⁵²
- e. Overview of the progress showing what tasks have been carried out for the Principal is kept up-to-date⁵³
- f. Assignment documentation is up-to-date⁵⁴

1.6.3 Assignments performed by co-workers

If work is performed by someone else other than the person responsible for the assignment, the person responsible for the assignment must carry out quality control, or make sure that this is done by one or several other authorized accountants.

Quality control must be carried out throughout the year. It is not sufficient that such control is only reviewed in connection with the annual settlement.

The control must comprise matters referred to in Chapters 1.2, 1.3 and 1.4 of this standard. This is necessary to ensure that the work is carried out in a prudent manner.

The scope and frequency of the quality control may vary according to the individual co-worker, based on an evaluation of the co-worker's competence, capacity and experience, as well as the Principal's

⁵⁰ Cf. Section 1.6.3

⁵¹ Cf. Section 1.2.3.3.

⁵² Cf. chapter 1.3.

⁵³ Cf. Section 1.5.3.1

⁵⁴ Cf. Section 1.5.3. 2

administrative routines and a general assessment of the complexity of the assignment. The control will on this background consist of spot checks.

1.6.4 Documentation of quality control

The person responsible for the assignment must document his or her quality control in a suitable follow-up system.

1.6.5 Non-conformity

Nonconformities in the form of faults and deficiencies revealed during the quality control must be documented and corrected as soon as possible.

1.7 Consultancy

The Accounting Firm must generally be available for the Principal should he have any questions relating to the accounts or to any other matters relating to the assignment, including, for instance, financial statement analyses, calculations, operational planning, budgeting and tax-related questions including complaints and other matters of correction.

The Accounting Firm must not take on any tasks that are in violation of the statutory provisions relating to legal aid⁵⁵.

If the conditions to assist the Principal are not fulfilled, for instance because of insufficient capacity or competence in the relevant area, one must recommend that the Principal seeks assistance from other competent sources.

1.8 Summary of mandatory requirements

Listed below are the requirements which according to this standard shall be regarded as mandatory, provided that the requirements come in under the tasks assumed by the Accounting Firm pursuant to the accounting services agreement:

1. The Accounting Firm must carry out the bookkeeping in accordance with the requirements that follow from the legislation, generally accepted accounting practices, good bookkeeping practices, the accounting services agreement and otherwise contribute to safeguarding the Principal's interests.
2. insofar as the accounting firm has had access to the documentation in accordance with the accounting services agreement, the service obligations must be met punctually.
3. The Accounting Firm must organize the accounting so that requirements in connection with regulatory reporting obligations and other duties which may follow from the accounting services agreement are discharged.

⁵⁵ Act of 13 August 1915 No. 5 relating to the courts of justice, Section 218, cf. however subsection five of the provision which reads: "Legal aid may be given by any person as far as such legal aid is necessary for giving proper and complete assistance in any other work. Such legal aid may also be given though it is not connected with any task included in the main enterprise."

4. When an assignment is established, the Accounting Firm along with the Principal must evaluate those of the Principal's internal routines which affect the assignment and adapt these in a manner which ensures prudent accounting.
5. If the Accounting Firm encounters deficiencies or errors in the Principal's internal routines during the assignment, this matter must be raised with the Principal. In the event of material breach or repeated occurrences, written notification must be given.
6. If the Principal's documentation is not organised at the time of receipt, the material must be organised by the Accounting Firm.
7. The Accounting Firm must ensure satisfactory safekeeping of the Principal's documentation when in possession of this documentation.
8. The Accounting Firm must either maintain a log of documentation received or alternatively keep an overview of delayed delivery.
9. An overview must be kept of the time of reporting and submission of accounting materials.
10. The Accounting Firm must make sure that the form and contents of the documentation conform with statutory documentation requirements.
11. If the Accounting Firm encounters breaches of the documentation requirements, the matter must always be raised with the Principal. In instances of material breach or repeated occurrences, written notification must be given.
12. When entering transactions and other accounting dispositions, the Accounting Firm must independently consider matters relating to bookkeeping accounts, recognition in the balance sheet versus recognition in the profit and loss account and matters relating to tax and duties management. Any disagreements with the Principal must be settled.
13. The accounting firm shall help ensure that the requirement relating to two-way audit trails between documentation, specifications and obligatory financial reporting is complied with.
14. The Accounting Firm must evaluate whether the principal should be informed about the right to choose between the different accounting principles. Where the Principal is not informed after an assessment as mentioned, the principle rules shall normally be used as a basis.
15. The chart of accounts is adapted to the Principal, but should insofar as possible follow the standard Norwegian chart of accounts. When choosing bookkeeping accounts, particular care must be taken to ensure compliance with the tax and duty provisions.
16. The accounting firm must ensure that documentation exists for the parts of the accounting system which the accounting firm uses during execution of the assignment, which describe the control possibilities and how the system-generated items can be tested.
17. It must be possible to present documentation for the entire safekeeping period. This also applies after termination of the assignment.

18. For correction of errors and non-conformities where the original documentation does not clearly provide the background for the corrections, these must be substantiated and normally be authorised by the Principal.
19. If the accounting firm issues documentation, it must be worded in such a way that it becomes clear what the documentation is about. Self-produced documentation which cannot be substantiated by other adequate documentation must be approved by the Principal.
20. External information and documentation must be obtained when this is necessary to ensure correct reconciliation.
21. Sufficient documentation must be available to ensure that the reconciliation can be verified.
22. Unless practical considerations dictate otherwise, the necessary specifications for the reconciliation shall be stored with the accounting firm. It must in any case be possible to procure the necessary reconciliation material upon request from the regulatory body.
23. Each account in the balance sheet, and if relevant also in the profit and loss account, must be reconciled if this has been stipulated by law, or is considered essential to safeguard the quality of the accounting report. The Accounting Firm must be able to substantiate the scope and frequency of the relevant reconciliations.
24. As a minimum, the following accounts in the balance sheet must be reconciled at each periodic closing of the accounts:
 - a) customer and accounts payable
 - b) bank accounts
 - c) cash
 - d) tax owed
 - e) settlement account value added tax
 - f) employers' contribution owed

Nonconformities must be followed up.

25. All accounts in the balance sheet, as well as the necessary profit and loss accounts, must be reconciled before the final annual accounts are prepared.

Nonconformities must be followed up.

26. The inventory accounts must be reconciled against the inventory list at least once a year, or a summary of this must be provided. It must be ensured that the inventory lists comply with the regulatory specification requirements.
27. For each period throughout the year and as a minimum, a visual control shall be conducted of whether the customer and contractor accounts seem reasonable. Any unclear matters must be discussed with the Principal. In more complex cases, this must take place in writing.
28. In connection with the annual accounts, incoming statements of account must be reconciled against the accounts. As a minimum, balance statements distributed according to age or specified accounts, including any notes, must be stored with the accounting firm. Any unclear matters must be discussed with the Principal, so that the

accounts appear reasonable and there normally is a correlation between the latest open items and the balance.

29. The accounts for bank in the balance sheet must be reconciled for each period against the bank's statement of account.
30. For principals with cash revenues the accounts for cash are reconciled periodically against statutory documentation of cash revenue (daily settlement). Inventory in cash books are reconciled against the balance for associated accounts according to each period's registration.
31. At the end of the year, it must be ensured, for each register, that documentation exists for the inventory count and that this corresponds with the accounts.
32. If the Accounting Firm at any time finds that the cash holdings are improbable, this must be discussed with the Principal. It must be possible to prove retrospectively how this issue has been raised and processed further.
33. The accounting firm must reconcile accounts for tax owed for each tax deduction date by checking that submitted declarations and payments correspond with the booked quantity.
34. The accounting firm must check after each period that special accounts for tax deduction contain sufficient means to cover any tax owed, or that a sufficient bank guarantee is available. If this is not the case, the accounting firm must inform the principle without delay.
35. In connection with the annual accounts, tax deducted must be reconciled against the end of year statement for employers' contribution - Accompanying form to the certificate of pay and tax deducted (RF-1025).
36. The accounting firm must reconcile the settlement account value added tax for each tax payment date by checking that submitted declarations and payments correspond with the booked quantities and the basis for the value added tax.
37. The accounting firm must reconcile the employers' contribution owed for each employers' contribution payment date by checking that submitted declarations and payments correspond with the booked quantities and the basis for the value added tax.
38. In connection with the annual accounts, the estimated employers' contribution must be reconciled against the end of year statement - Accompanying form to the certificate of pay and tax deducted (RF-1025) and Control of registered and reported amounts (RF-1022).
39. Periodic accounting reports and mandatory specifications must be prepared throughout the year in accordance with the frequency specified in the accounting services agreement.
40. Periodic accounting reports must be based on reconciled figures.
41. The accounting reports shall in general be commented on.
42. If, in connection with the accounting services, the accounting firm discovers breaches of accounting, bookkeeping, tax or fiscal acts on the part of the Principal, this must always

- be pointed out to the Principal in writing. In addition, any ambiguities and questions must be raised.
43. The income statement and balance sheet according to the Accounting Act or Assessment Act must be based on the reconciled and documented list of ledger balances.
 44. The Accounting Firm shall also:
 - a) review comments on periodic accounts, auditor's numbered letters and other correspondence to ensure that everything has been answered and corrected
 - b) Prepare additional information (notes), with clear references to the relevant items in the accounts
 - c) inform the principal about the requirement related to signatures
 - d) inform the principal about the requirement related to safekeeping of the annual accounts
 45. An orderly and easy-to-follow system must be established for each principal which takes into account the requirements relating to documentation of the accounting firm's work for the Principal.
 46. All completed and main stages of the work must be registered with a date for each principal, including reconciliations, production of statements and reports, as well as quality control.
 47. The accounting firm must be able to date and explain what each stage of the work comprised and on this basis also be able to prove that the work has been performed in accordance with the accounting services agreement.
 48. The assignment documentation must, to the extent that the documents is relevant, contain:
 - a) Regular information, including accounting services agreement, progress form and quality control documentation
 - b) reconciliation of assets, including the necessary specification of these
 - c) Reconciliation of liabilities, including the necessary specification of these
 - d) Reconciliations of profit and loss accounts
 - e) Annual accounts including statutory statements and tax assessment statements, including traceability specifications for the annual accounts and trading statement
 - f) Mandatory specifications as of year-end
 - g) Budgets and periodic accounting reports
 - i) Auditor's correspondence
 - j) Other correspondence
 49. Assignment documentation is used continuously throughout the year. It must be evaluated whether there is a need for a separate description of how the system is built up and used.
 50. The Accounting Firm must keep the assignment documentation in an organised and prudent manner for 10 years from the end of the accounting year.
 51. The accounting firm's own copies of periodic accounts and reconciliation documentation relating to this may, however, be kept for a shorter period if the person responsible for the assignment and the accounting firm find it reasonable. In this respect it is particularly important to consider whether it is likely that the accounts will be audited or subject to

- any other form of examination. Such documentation must in any event be kept for a minimum of two years from the end of the accounting year.
52. The Accounting Firm must implement a systematic review to ensure that the routines are carried out as presumed.
 53. The Accounting Firm must be able to prove and document that the quality control is performed at a scope and frequency which ensure correct processing. It is particularly important to quality control complex matters and the work of unauthorized personnel.
 54. The person who is responsible for the assignment or another authorized accountant must check the following for each principal at least once a year:
 - a) The accounting services agreement is up-to-date
 - b) Authorizations have been documented in writing
 - c) Overview (log) of received and submitted accounting material and other information to and from the Principal respectively is updated continuously
 - d) Reconciliations are performed periodically and are satisfactorily documented
 - e) Overview of the progress showing what has been carried out for the Principal is kept up-to-date
 - f) Assignment documentation is up-to-date
 55. If work is performed by someone else other than the person responsible for the assignment, the person responsible for the assignment must carry out quality control, or make sure that this is done by one or several other authorized accountants.
 56. Quality control must be carried out throughout the year. It is not sufficient that such control is only reviewed in connection with the annual settlement.
 57. The person responsible for the assignment must document his or her quality control in a suitable follow-up system.
 58. Non-conformities in the form of faults and deficiencies revealed during the quality control must be documented and corrected as soon as possible.
 59. The accounting firm must not take on any tasks that are in violation of the statutory provisions relating to legal aid.