

# GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

## GRFS 3 – Invoicing

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the Norwegian Association of Authorized Accountants (NARF) and “Økonomiforbundet” (the Finance Federation)

### OVERVIEW OF CONTENTS:

<b>3.1</b>	<b>BASIS AND DEFINITIONS .....</b>	<b>2</b>
3.1.1	SCOPE AND CONTENT.....	2
3.1.2	DEFINITIONS .....	3
3.1.2.1	<i>Invoice</i> .....	3
3.1.2.2	<i>Credit note</i> .....	3
3.1.2.3	<i>Invoicing</i> .....	3
3.1.2.4	<i>Invoicing assignment</i> .....	3
3.1.2.5	<i>Invoicing documentation</i> .....	3
3.1.2.6	<i>Invoicing of interest</i> .....	4
3.1.2.7	OTHER DEFINITIONS .....	4
<b>3.2</b>	<b>FACILITATION.....</b>	<b>4</b>
3.2.1	ASSIGNMENT AGREEMENT .....	4
3.2.2	UNIFORM ROUTINES .....	4
3.2.3	RESOURCES ON THE ASSIGNMENT.....	4
3.2.4	CUSTOMER SPECIFICATION (ACCOUNTS RECEIVABLE LEDGER).....	5
3.2.5	STOCKS .....	5
3.2.6	THE PRINCIPAL’S INTERNAL ROUTINES .....	5
<b>3.3</b>	<b>INVOICING .....</b>	<b>6</b>
3.3.1	THE PRINCIPAL’S INTERESTS .....	6
3.3.2	PROCESSING OF INVOICING DOCUMENTATION.....	6
3.3.2.1	<i>Tidiness in documentation</i> .....	6
3.3.2.2	<i>Safekeeping</i> .....	6
3.3.2.3	<i>Overview of reception and submission</i> .....	6
3.3.3	ENTRY OF INVOICING DOCUMENTATION.....	7
3.3.3.1	<i>Follow-up of invoicing documentation</i> .....	7
3.3.3.2	<i>Adequate registration</i> .....	7
3.3.3.3	<i>Invoice contents</i> .....	7
3.3.3.4	<i>Traceability</i> .....	7
3.3.3.5	<i>Correction of errors</i> .....	8

3.3.3.6	CHECKING PRIOR TO SENDING.....	8
3.3.3.7	SUBMISSION TO FACTORING.....	8
<b>3.4</b>	<b>REPORTS AND FOLLOW-UP OF OUTSTANDING DEBTS.....</b>	<b>8</b>
3.4.1	PERIODICAL INVOICING REPORTS AND STATISTICS.....	8
3.4.2	FOLLOW-UP OF ACCOUNTS RECEIVABLE.....	8
3.4.2.1	<i>Payment reminders and invoicing of interest.....</i>	8
3.4.2.2	<i>Charges and interest for overdue payment.....</i>	8
3.4.2.3	<i>Debt collection.....</i>	8
<b>3.5</b>	<b>DOCUMENTATION.....</b>	<b>9</b>
3.5.1	SCOPE OF DOCUMENTATION.....	9
3.5.2	THE PRINCIPAL’S DOCUMENTATION.....	9
3.5.3	THE ACCOUNTING FIRM’S DOCUMENTATION.....	9
<b>3.6</b>	<b>QUALITY CONTROL.....</b>	<b>9</b>
3.6.1	PARAMOUNT INTERNAL CONTROL AT ASSIGNMENT LEVEL.....	9
3.6.2	ASSIGNMENT PERFORMED BY CO-WORKERS.....	10
3.6.3	DOCUMENTATION OF QUALITY CONTROL.....	10
3.6.4	NON-CONFORMITY.....	10
<b>3.7</b>	<b>SUMMARY OF MANDATORY REQUIREMENTS.....</b>	<b>10</b>

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## **3.1 Basis and definitions**

### **3.1.1 Scope and content**

This standard provides guidelines for good accounting practices for external accountancy in the service areas of invoicing.

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 perform in accordance with the accounting services agreement. These have also been summarised in Chapter 3.8. 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 these<sup>1</sup>.

## 3.1.2 Definitions

### 3.1.2.1 Invoice

An *invoice* is defined as a document with a financial claim.

The invoice document can also be a credit note, cf. item 3.1.2.2.

### 3.1.2.2 Credit note

A *credit note* is defined as an invoice document stating an amount due to the recipient.

Credit notes must comply with the ordinary documentation requirements<sup>2</sup> and it must be possible to substantiate it with invoicing documentation.

### 3.1.2.3 Invoicing

*Invoicing* is herein defined as the preparation of invoices.

### 3.1.2.4 Invoicing assignment

*Invoicing assignment* is herein defined as invoicing on behalf of the Principal, with the invoice being prepared in the name of the Principal.

### 3.1.2.5 Invoicing documentation

*Invoicing documentation* is herein defined as the Principal's documentation which forms the basis for the invoicing.

The invoicing documentation must clearly and unambiguously state the invoice's contents, and be in compliance with statutory requirements and the agreed routines. The Principal is responsible for the contents unless otherwise specifically agreed.

The documentation will normally be prepared by the Principal or be based on further agreement between the Principal and the Accounting Firm.

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<sup>1</sup> Cf. GRFS 1 – Bookkeeping and annual reports and accounts, and preliminary GRFS 2 - Payroll.

<sup>2</sup> Cf. Section 5-1-1 of the Bookkeeping Act

### 3.1.2.6 Invoicing of interest

*Invoicing of interest* is defined in this standard as invoicing of interest on overdue payment on behalf of the Principal, with a claim for payment to the Principal.

### 3.1.2.7 Other 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.

## 3.2 Facilitation

### 3.2.1 Assignment agreement

**For an assignment agreement, the assignment contract<sup>3</sup> must state clearly and unambiguously that an assignment is in place and the scope thereof.**

If the assignment means that the Accounting Firm is to follow up payments not received, the routine for implementation, including the number and frequency of reminders, invoicing of interest, charges for late payment and, if relevant, the routine for following up a debt-collection agency, must be stipulated in the assignment agreement or in an appendix.

### 3.2.2 Uniform routines

The Accounting Firm must endeavour to maintain uniform routines for all invoicing assignments. If the Principal's affairs necessitate a different routine, this routine deviation must be stated in the assignment documentation<sup>4</sup>.

### 3.2.3 Resources on the assignment

The person responsible for the assignment must assess the competencies required by the assignment, and ensure that the persons involved meet these requirements. Furthermore, the

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<sup>3</sup> Section 3 of the Bookkeeping Act

<sup>4</sup> Cf. Item 3.5.3

person responsible for the assignment must ensure that the Accounting Firm has sufficient resources to meet the agreed deadlines, even in the event of unforeseen absences<sup>5</sup>.

### 3.2.4 Customer specification (accounts receivable ledger)

**The Accounting Firm shall adjust its routines in order to ensure that the Principal's customer specification (accounts receivable ledger) can be kept up-to-date in a satisfactory manner<sup>6</sup>.**

### 3.2.5 Stocks

**If the invoicing assignment affects the inventory control, the Accounting Firm shall adjust its routines to ensure that the Principal's inventory control can be kept up-to-date in a satisfactory manner<sup>7</sup>.**

### 3.2.6 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 invoicing and potential follow-up.**

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

- a. achieves a prudent routine which ensures that deliveries are invoiced
- b. has a business process that provides that a satisfactory basis for invoices, and which
  1. is sufficiently specified to comply with statutory requirements relating to formal contents and specifications, such as the requirement for stating the time and place for the delivery as well as a correct description of the nature, content and compensation for the service<sup>8</sup>
  2. provides sufficient information on correct processing of fees, taxes and charges, including special duty<sup>9</sup>
  3. provides the basis for efficient and correct invoicing at the right time
- c. follows up of any changes to agreements that form a basis for regular invoicing
- d. provides information on any changes to price lists, as well as the establishment and/or updating of customer indexes
- e. follows up non-payment
- f. follow up the reports from the Accounting Firms and gives feedback on any errors or shortcomings
- g. complies with the safekeeping duties for invoicing documentation, such as confirmation of order, list of contents, and timesheets<sup>10</sup>

<sup>5</sup> Cf. GRFS 0 – General issues relating to accounting services assignments, items 0.2.4 and 0.2.5

<sup>6</sup> Cf. Section 7 of the Bookkeeping Regulations

<sup>7</sup> Cf. Section 6-1 of the Bookkeeping Regulations

<sup>8</sup> Cf. Section 5-1-1- of the Bookkeeping Regulations

<sup>9</sup> Cf. Section 5-8 of the Special Duty Regulations of 11 Dec. 01

<sup>10</sup> Cf. Ch. 17 of the Bookkeeping Regulations

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.

## **3.3 Invoicing**

### **3.3.1 The Principal's interests**

The Accounting Firm must carry out the bookkeeping in accordance with the requirements laid down in the legislation<sup>11</sup>, the accounting services agreement and otherwise contribute to safeguarding the Principal's interests.

Insofar as the Accounting Firm has had access to the invoicing documentation in accordance with the accounting services agreement, the invoicing must take place at the right time.

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

### **3.3.2 Processing of invoicing documentation**

#### **3.3.2.1 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.

#### **3.3.2.2 Safekeeping**

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

#### **3.3.2.3 Overview of reception and submission**

The Accounting Firm must either maintain an overview (log) with times of invoicing documentation received or alternatively keep an overview of delayed delivery.

**An overview must be kept of the time of reporting and submission of invoicing 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.

If invoicing materials or reports produced are sent electronically, sufficient information (a log, for example) should be available in order to check what has been transferred and when the Accounting

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<sup>11</sup> Relevant legislation: Act on debt collection and other recovery of overdue pecuniary claims [Debt Collection Act]

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 assignment documentation<sup>12</sup>.

### 3.3.3 Entry of invoicing documentation

#### 3.3.3.1 Follow-up of invoicing documentation

**The Accounting Firm must make sure that the form and contents of the invoicing documentation conform with statutory documentation requirements for invoices<sup>13</sup>.**

If the Accounting firm suspects that a transaction is related to matters comprised by the Money Laundering Act<sup>14</sup>, the firm must investigate and report in accordance with the above-mentioned act.

#### 3.3.3.2 Adequate registration

**The Accounting Firm must ensure adequate registration of invoicing documentation, to ensure prudent and sufficient registration of the invoice addressee, CID number, account number, due date, currency and other invoicing details.**

The Payee's account number is to be that of the Principal, or a payee nominated by the Principal to be the recipient, e.g. a factoring company.

#### 3.3.3.3 Invoice contents

**The Accounting Firm must ensure that the invoice meets the regulatory minimum requirements<sup>15</sup>.**

In addition, the Accounting Firm should assess whether further information ought to be provided. Of particular importance in such an assessment is to facilitate for correct processing with respect to taxes, fees and accounting both by the Principal and the recipient of the invoice.

#### 3.3.3.4 Traceability

**The Accounting Firm must ensure traceability between the invoicing documentation and the invoice.**

This might typically be in the form of a reference number, most often a PO number or an order number.

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<sup>12</sup> Cf. item 3.5.3.

<sup>13</sup> Cf. Section 5-1-1 of the Bookkeeping Regulations

<sup>14</sup> Cf. Section 7 of the Money Laundering Act of 20 June 2003, No. 41

<sup>15</sup> Cf. Section 5-1-1- of the Bookkeeping Regulations

### **3.3.3.5 Correction of errors**

For corrections of errors in invoicing, an additional invoice or credit note shall be prepared and submitted to the recipient<sup>16</sup>.

If an invoice containing an error has not been sent, the invoice plus credit note shall be filed in the Principal's file with a note stating that the invoice has not been submitted to the customer.

### **3.3.3.6 Checking prior to sending**

Prior to sending an invoice to the recipient the contents of the invoice should be checked against the invoicing documentation.

### **3.3.3.7 Submission to factoring**

In cases where the Principal fully or partially makes use of factoring services, the Accounting Firm must perform a control of the sums of the invoice amounts submitted for factoring, and otherwise ensure that the agreed information is submitted to the factoring company.

## **3.4 Reports and follow-up of outstanding debts**

### **3.4.1 Periodical invoicing reports and statistics**

Periodical reports<sup>17</sup> and statistics are to be prepared in accordance with the frequency stated in the Assignment Agreement.

### **3.4.2 Follow-up of accounts receivable**

#### **3.4.2.1 Payment reminders and invoicing of interest**

The Accounting Firm shall implement payment reminders and invoicing of interest in accordance with the frequency stated in the Assignment Agreement.

#### **3.4.2.2 Charges and interest for overdue payment**

The Accounting Firm shall, with respect to payment reminders and invoicing of interest, employ the agreed rates for late charges and penalty interest. If such rates have not been agreed, the Accounting Firm will not charge such claims to the debtors.

#### **3.4.2.3 Debt collection**

Unless otherwise stated in the Assignment Agreement or underlying routine, an overview of outstanding debts ready for debt collection must be approved by the Principal prior to forwarding to the debt collection company.

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<sup>16</sup> Section 5-2-8 of the Bookkeeping Regulations

<sup>17</sup> E.g. Invoice log

The Accounting Firm must not itself perform any debt collection activities which are in conflict with the Debt Collection Act<sup>18</sup>.

## 3.5 Documentation

### 3.5.1 Scope of documentation

**Adequate documentation must be available to enable verifications and checking of invoicing performed.**

Such documentation would include items such as invoicing documentation, duplicates/copies of invoices issued, invoicing logs, statistics and overviews as mentioned in item 3.3.2.3 regarding reception and submission.

### 3.5.2 The Principal's documentation

The Principal's duplicates/copies of invoices issued complete with invoicing documentation shall be returned to the Principal in line with the specifications in the Assignment Agreement.

### 3.5.3 The Accounting Firm's documentation

**The Accounting Firm's own assignment documentation shall, insofar as the documents are relevant, comprise:**

- a. **copies of invoicing reports submitted to the Principal**
- b. **copies of payment reminders performed**
- c. **documentation of reception and submission<sup>19</sup>**
- d. **copies of submissions to factoring companies**
- e. **copies of submissions to debt collection agencies**
- f. **other correspondence**
- g. **documentation of quality controls performed<sup>20</sup>**

On the purpose of assignment documentation and safekeeping of same, cf. GRFS 1 - Bookkeeping and annual report and accounts, Ch. 1.5

## 3.6 Quality control

### 3.6.1 Paramount internal control at assignment level

**The person responsible for the assignment or other authorized accountant shall, at least once yearly, perform a control of the following for each Principal:**

- a. **The Assignment Agreement is up-to-date**
- b. **An overview (log) of reception and submission of invoicing documentation and other documentation to and from the Principal, respectively, is kept continuously updated<sup>21</sup>**

<sup>18</sup> Act of 13 May 1988 No. 26 (Debt Collection Act)

<sup>19</sup> Cf. item 3.3.2.3

<sup>20</sup> Cf. item 3.6.3

<sup>21</sup> Cf. item 3.3.2.3

### 3.6.2 Assignment performed by co-workers

If the person responsible for the assignment does not personally carry out the invoicing or controls prior to submission<sup>22</sup>, the person responsible for the assignment must carry out a quality control.

**The quality control is to ensure that the invoicing assignment is performed in accordance with the assignment agreement.**

Relevant checkpoints may be whether:

- the Accounting Firm's ordinary or especially agreed routine has been complied with
- the invoicing documentation contains the required information<sup>23</sup>
- the Accounting Firm keeps to the agreed deadlines
- documentation of own work is available

The quality control can be based on spot checks.

**The frequency of quality controls must be assessed according to requirements, but must take place at least once a year.**

### 3.6.3 Documentation of quality control

**The person responsible for the assignment must document his or her quality control in a suitable follow-up system<sup>24</sup>.**

### 3.6.4 Non-conformity

**Nonconformities in the form of errors and deficiencies identified during the quality control must be documented and corrected as soon as possible.**

## 3.7 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. For invoicing assignments the Assignment Agreement must state clearly and plainly that an invoicing assignment is present and the scope thereof.
2. The Accounting Firm must adjust its routines so that the Principal's accounts receivables ledger can be kept satisfactorily updated.

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<sup>22</sup> Cf. item 3.3.3.6

<sup>23</sup> Cf. item 3.3.3.3

<sup>24</sup> Cf. item 3.5.3

3. If the invoicing assignment affects the inventory control, the Accounting Firm shall adjust its routines to ensure that the Principal's inventory control can be kept up-to-date in a satisfactory manner.
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 invoicing and potential follow-up.
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. The Accounting Firm must carry out the invoicing in accordance with the requirements laid down in the legislation, the assignment agreement and otherwise contribute to safeguarding the Principal's interests.
7. Insofar as the Accounting Firm has had access to the invoicing documentation in accordance with the assignment agreement, the invoicing must take place at the right time.
8. The Accounting Firm must organise the invoicing so that requirements in connection with regulatory reporting obligations and other duties which may follow from the accounting services agreement are discharged.
9. If the Principal's invoicing documentation is not organised upon receipt, the material must be organised by the Accounting Firm.
10. The Accounting Firm must ensure satisfactory safekeeping of the Principal's invoicing documentation when in possession of same.
11. The Accounting Firm must either maintain a log with times of receipt of invoicing documentation, or keep an overview of delayed delivery.
12. An overview must be kept of the time of reporting and submission of invoicing materials.
13. The Accounting Firm must ensure that the invoicing documentation contain sufficient specifications to conform with statutory documentation requirements for invoices.
14. The Accounting Firm must ensure adequate registration of invoicing documentation, to ensure prudent and sufficient registration of the invoice addressee, the payee, CID number, account number, due date, currency and other invoicing details.
15. The Accounting Firm must ensure that the invoice meets the regulatory minimum requirements.
16. The Accounting Firm must ensure traceability between the invoicing documentation and the invoice.
17. For correction of errors in invoicing, an additional invoice or credit note shall be prepared and submitted to the recipient.
18. If an invoice containing an error has not been sent out, the invoice plus the credit note shall be filed in the Principal's file with a note stating that the invoice has not been submitted to the customer.

19. In cases where the Principal fully or partially makes use of factoring services, the Accounting Firm must perform a control of the sums of the invoice amounts submitted for factoring, and otherwise ensure that the agreed information is submitted to the factoring company.
20. Periodical reports and statistics shall be prepared in accordance with the frequency stated in the Assignment Agreement.
21. The Accounting Firm shall implement payment reminders and invoicing of interest in accordance with the frequency stated in the Assignment Agreement.
22. The Accounting Firm shall, with respect to payment reminders and invoicing of interest, employ the agreed rates for late charges and penalty interest. If such rates have not been agreed, the Accounting Firm will not charge such claims to the debtors.
23. Unless otherwise stated in the Assignment Agreement or underlying routine, an overview of outstanding debts ready for debt collection must be approved by the Principal prior to forwarding to the debt collection company.
24. The Accounting Firm must not itself perform any debt collection activities which are in conflict with the Debt Collection Act.
25. Adequate documentation must be available to enable verifications and checking of invoicing performed.
26. The Accounting Firm's own assignment documentation shall, insofar as the documents are relevant, comprise:
  - a. copies of invoicing reports submitted to the Principal
  - b. copies of payment reminders implemented
  - c. documentation of reception and submission
  - d. copies of submissions to factoring companies
  - e. copies of submissions to debt collection agencies
  - f. other correspondence
  - g. documentation of quality controls performed
27. The person responsible for the assignment or other authorized accountant shall, at least once yearly, perform a control of the following for each Principal:
  - a. The Assignment Agreement is up-to-date
  - b. An overview (log) of receipt and submission of invoicing documentation and other documentation to and from the Principal respectively, is kept continuously updated
28. If the person responsible for the assignment does not personally carry out the invoicing or controls prior to submission, the person responsible for the assignment must carry out a quality control.
29. The quality control is to ensure that the invoicing assignment is executed in accordance with the assignment agreement.
30. The frequency of quality controls must be assessed according to requirements, but must take place at least once a year.
31. The person responsible for the assignment must document his or her quality control in a suitable follow-up system.

32. Non-conformities in the form of errors and deficiencies identified during the quality control must be documented and corrected as soon as possible.

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