



Transitioning from FAS-Based Accounting to IFRS Standards

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ABSTRACT

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Internationally comparable financial reporting has become increasingly critical due to the globalization of financial markets. Finnish Accounting Standards, FAS, and other local standards must now be replaced by IFRS for publicly traded companies, except for First-North Finland stock. This thesis examines the key differences between FAS and IFRS, analyses the financial impacts and risks associated with transitioning to IFRS, and offers practical recommendations for managing the change. The case study was commissioned by Administer Group, a Finnish company specializing in business management services.

A multi-method research approach was used, combining a literature review, comparative financial statement analysis, and a qualitative interview. The study focuses on IFRS topics most relevant to the case company, including revenue recognition, leasing, goodwill, segment reporting, and impairment testing. The findings highlight that while FAS prioritises creditors and tax authorities, valuing the income statement, IFRS emphasises investor needs, balance sheet valuation, and transparency through extensive disclosures.

The interview emphasised that motivation and internal competence are critical success factors for a smooth transition. Delegating the process entirely to external consultants without involving and educating the company's own finance team was identified as a key risk. Tools such as the COSO ERM framework and the Business Model Risk Matrix were applied to identify risks, while the Balanced Scorecard and Total Cost of Ownership methods helped evaluate the financial impacts.

As a practical outcome, a transition roadmap was developed for Administer Group, outlining the key steps and internal competencies needed for successful IFRS implementation. The thesis contributes both theoretical insights and hands-on tools for companies considering or preparing for IFRS adoption.

The study finds that the transition from FAS to IFRS has an impact on internal processes, especially those related to disclosure and transparency, as well as the financial presentation. Moreover, it concluded that internal competence and engagement are important drivers of transition management.

Key words: IFRS, FAS, financial reporting, impairment, goodwill

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1 INTRODUCTION

1.1 Background

The political, economic, and social environments in which accounting is performed have always been both national and international. Due to the increased globalization within all the given sectors, purely national perspectives are no longer viable. The need for common financial reporting has been highlighted by economic globalization, which is fueled by a growth in foreign investment and multinational corporations. (Nobes & Parker, 2008.)

In Finland, the Accounting Act and accounting ordinance have listed the requirements for accounting and financial reporting. Companies conduct their accounting based on good accounting practices, known as Finnish Accounting Standards, FAS. The accounting board KILA formulates FAS through its instructions and statements. (Ihamäki, 2020.)

From an international perspective, Finnish financial reporting has been unique since Finland's accounting laws are historically based on Martti Saario's Expenditure-revenue theory from 1973 until 1997. It is frequently proposed in past research that accounting traditions act as obstacles to the harmonization of accounting. (Pajunen, 2010.)

The Finnish Accounting Standards can be quite difficult for foreign investors to understand, which is why some companies choose to report their financial statements using the International Financial Reporting Standards, IFRS. The International Accounting Standards Board, IASB, is responsible for issuing IFRS. The International Accounting Standards, IAS, were published by the International Accounting Standards Committee, IASC, prior to the establishment of the IASB. The IAS and IFRS were combined into one when the IASB began producing the IFRS in 2001, with the IASC continuing to operate in the background. (Pajunen, 2010.)

Since 2005, companies that wish to be publicly listed need to use IFRS with their financial statements (Ihamäki, 2020). This has put pressure on some Finnish companies that used to use FAS but now have to transition into using IFRS.

1.2 Objective

The reason for this thesis is to support the globalisation of Finnish businesses. It also harmonizes the account practices, making global trade and investments easier to facilitate. This research provides information for policymakers and regulators so that they can create frameworks that make the transition smoother for companies and minimize risks to financial markets. Understanding the research topic, companies going through the transition can reduce errors and mitigate costs. It is also beneficial for auditors, investors, and analysts who have to rely on accurate financial statements. The objective of this thesis is to identify the key differences between FAS and IFRS standards, find out about the challenges and considerations that the transition includes, develop a transition framework, and give the strategy team a comprehensive package of information so that they can take action. The objective also includes creating information that any company can use to bring value to more enterprises, in addition to the case company, Administer Group. The purpose is to support the company's transition from FAS to IFRS, mitigating risks that may occur, and identifying working strategies. Also, finding out the impact on stakeholders is a part of the process.

The importance of this research for Administer Group is that they are now in the Nasdaq First North Finland stock market, which doesn't require using IFRS reporting, but if the company wishes to enter another stock market, they need to adapt to IFRS. It is also easier for foreign investors to understand the state of the company if it uses the internationally acknowledged reporting standards. After this research Administer Group will have more information needed to start making the transition, knowing the possible risks and costs. Also, having this information, the clients of Administer Group can ask for help if they are planning on transitioning from FAS to IFRS. The author also benefits from this research, gaining information that is crucial to know when entering the business world, especially in the area of international business.

The research questions that this thesis answers are:

1. What are the main differences between FAS and IFRS standards?
2. What to consider when transitioning from FAS to IFRS standards?

1.3 Methods

This thesis is a case study that examines the balance sheet data of the Administer Group, which serves as the principal. Additionally, this is comparative research, comparing the numbers from accounting with IFRS standards against those from FAS-based accounting. Analysis and research are being done on the standards' differences and importance. The exploratory research provides answers to questions of what and how.

The research is multimethodological, using quantitative research when investigating the differences in values of financial statements, and qualitative research when doing interviews and literature reviews. All sources are publicly available and have been assessed for credibility.

The goal of qualitative research is to examine real social life, and it can be accomplished by using various methodologies and techniques, such as visual resources like artifacts, photographs, films, and internet content that document human experiences. Another way to gather data is to create nonquantitative data by using textual materials like fieldnotes, documents, and interview transcripts. Though qualitative research is based on the nonfictional study of social reality, its reporting can use imaginative and expressive literary methods. (Saldana, 2011.)

A document analysis of Administer Group's public financial statements is also conducted and presented below. A good way to bring the topic into practice is to

calculate the most relevant parts of the balance sheet using IFRS standards and see how it affects the values. An IFRS specialist from Finanssiluvonta is interviewed to gain a more thorough understanding of the transition process, its risks, costs, and motivation behind it.

To ensure clear and understandable writing with minimal grammar errors, AI tools, such as Grammarly and QuillBot, are used in the background to correct the spelling and offer different ways of structuring the sentences.

1.4 Thesis structure

The first chapter introduces the topic of this thesis, as well as its importance for the case company, the government, policymakers, other businesses, and the author. The thesis' objective and purpose, research questions, and methods are also introduced in the first chapter. The second chapter introduces the case company, Administer Group, and the assignment and expectations given by it. Also, the theoretical framework is introduced by getting to know theories by Nobes and Parker (2020) and Ball (2006), Freeman, Harrison, Wicks, Parmar, and Colle (2010), and Gray, Owen, and Adams (2010), as well as frameworks made by COSO and ISO 31000.

The differences between the standards are presented in the third chapter, diving deeper into the structural differences and the most notable differences in content, comparing the financial statements. Also, the way the management report, segment reporting, business combinations, non-current assets held for sale and discontinued operations, revenue from contracts with customers, leasing agreements, and goodwill are registered is compared. The differences are limited to those that affect Administer Group the most, because otherwise, there would be too much information to stay within the research questions. The fourth chapter introduces the differences in the standards in the balance sheet calculation. The biggest differences are found in the valuation of intangible and tangible assets, and the recording of leasing debts. It uses real numbers from Administer Group's financial statements and the author's consideration of imaginary numbers for IFRS implementation.

An interview, done with an IFRS professional from Finanssivalvonta, is presented in detail in chapter five, gaining a real-life perspective on top of theoretical research. The interview offers insights into what the transition looks like from the company's point of view and how to make sure that it goes smoothly. The sixth chapter explains the transition, using IFRS 1, and covers the risks and costs, using tools such as COSO ERM framework, Business Model Risk Matrix, Total cost of ownership, and Balanced scorecard. These are all done with the author's consideration for the Administer Group.

Chapter seven introduces the transition roadmap for Administer Group, done with the author's consideration. Finally, the eighth chapter concludes the thesis, presenting the insights and key recommendations, the credibility of the process, limitations, and improvement opportunities. Also, the adaptability of the thesis for companies other than just the case company is presented. The author's journey and learning points are discussed in the end.

2 BACKGROUND AND APPROACH

2.1 Administer Group

Administer Group is a Finnish multi-talented firm, mainly focusing on financial management and personnel services. It provides accounting, legal, IT, personnel, and consulting services for over 5000 clients. The group employs over 1000 people in multiple cities in Finland, having one office in Tallinn and one in Stockholm. The Group consists of Administer, Silta Oy, Emce Solution Partner Oy, and Ecomia Oy. Besides this, Administer Group has other subsidiaries and associate companies. Administer joined the First North stock market in December 2021.

2.2 Assignment and limitations

The assignment from Administer Group was to find out the main differences between FAS and IFRS and find out what to consider when thinking about transitioning. This thesis provides information about the transition in a way that is easy to understand, even without previous experience with the topic. After reading this, Administer Group knows the main differences between the two standards, the next steps that need to be taken, and the risks and financial impacts of the process. This thesis will not go in-depth about the aspects that don't affect the group, so that all the information is relevant for them.

2.3 Theoretical framework

The transition from FAS-based accounting to IFRS is a complex process, including theories from the key accounting standards and harmonization, key differences between the standards, risk management, standard-setting frameworks, and change management. Thus, this chapter is divided into subheadings to ease the understanding of different groups of theories.

2.3.1 Accounting standards and harmonization

The purpose of accounting standards is to guarantee financial reporting's dependability, comparability, and transparency. Although both FAS and IFRS are based on principles, FAS has been adjusted to the specific demands of Finnish businesses and regulatory frameworks, whereas IFRS is intended for worldwide use. In their discussion of the comparative nature of international accounting standards, Nobes and Parker (2020) point out that national standards frequently mirror regional regulatory customs and economic circumstances. While IFRS takes a more comprehensive, globally harmonized approach, FAS was developed in Finland as a result of Finnish company practices and European accounting directives. (Nobes & Parker, 2020.)

The difference between harmonization and standardization is an important theoretical assumption. Adoption of IFRS, according to Ball (2006), is a step toward global harmonization and enables stakeholders and investors to compare financial statements across nations. Harmonization does not, however, imply similar financial reporting because national interpretations and laws continue to have an impact on how IFRS is used at the corporate level. (Ball, 2006, pp. 5-27.)

2.3.2 Key differences between FAS and IFRS

A successful transition requires an understanding of the differences between FAS and IFRS. Although the two systems are built on similar ideas, they differ in several important ways. For example, FAS has historically relied more on historical cost valuation, but IFRS often emphasizes fair value accounting. The disparity affects revenue recognition, assets, and liabilities in financial reporting.

Lease accounting is another significant area of difference. While FAS allows more flexibility in the recognition of specific lease agreements, IFRS 16 requires that all leases be recorded on the balance sheet as right-of-use assets and lease liabilities. Similarly, FAS offers more detailed rules based on Finnish business operations, while IFRS 15 uses a five-step methodology for revenue recognition.

These variations may influence investor views, tax implications, and financial ratios. (Deloitte, 2024; Finlex, 1997.)

2.3.3 Managing the transition

Businesses can use organized IFRS transition frameworks to lessen any interruptions. PricewaterhouseCoopers has published a guidebook about the process of implementing IFRS called “Adopting IFRS” (2004). It includes the main difference between Generally Accepted Accounting Principles, GAAP, and IFRS. Also, a step-by-step guide on how to adopt IFRS 1 is presented with an example. Deloitte has published a newer version of the differences between GAAP and IFRS, “Roadmap: Comparing IFRS Accounting Standards and U.S. GAAP: Bridging the Differences” (2024). Even though FAS and GAAP can’t be directly compared, the guidebooks offer comprehensive information about IFRS, and knowing how accounting is done with FAS is still valuable knowledge.

Furthermore, through its Transition Implementation Group, TIG, the IFRS Foundation provides advice to assist businesses in overcoming the difficult obstacles associated with IFRS implementation. (IFRS, 2025.)

2.3.4 Risk management and cost considerations

There are operational and financial risks associated with the switch to IFRS. One popular methodology for evaluating the risks connected to changes in financial reporting is the Committee of Sponsoring Organizations of the Treadway Commission, COSO, ERM Framework (2020). Misstatements in financial reporting, problems with system integration, and difficulties with regulatory compliance are examples of potential risks. Additionally, ISO 31000 offers a broad framework for risk management that may be used in financial transitions, guaranteeing that businesses anticipate, evaluate, and minimize possible interruptions. (Field, 2023.)

Another important consideration throughout the transition is cost. By measuring both financial and non-financial costs, Kaplan and Norton's Balanced Scorecard (1992) helps businesses achieve a balance between short-term expenses and long-term gains. In addition to indirect expenses like possible business disruptions and the time needed for complete adaptation, companies also need to account for direct costs like employing IFRS consultants, updating IT systems, and training staff. The Total Cost of Ownership, TCO, model ensures a thorough financial analysis before implementation by assisting businesses in evaluating the transition's obvious and hidden costs.

2.3.5 Change management and stakeholder considerations

Management, staff, investors, and regulatory bodies are among the stakeholders that are impacted by the IFRS transformation. In their book *Stakeholder theory – The state of the art* (2010), Freeman, Harrison, Wicks, Parmar, and Colle state that to guarantee a seamless transition, businesses have to attend to the needs of all parties involved. While internal stakeholders, including accountants and financial managers, may need extensive retraining to comply with IFRS standards, investors and external stakeholders gain from increased comparability and openness. (Freeman et al., 2010.)

The influence of accounting changes on stakeholder trust and corporate accountability is highlighted by Gray, Dey, Owen, Evans, and Zadek, S. (1997). To improve adoption and lessen opposition, effective training initiatives and communication are essential. To successfully adhere to IFRS criteria, companies may also need to make investments in new accounting software, updated reporting templates, and ongoing monitoring systems. (Gray et al., 1997, pp. 325–364.)

3 FAS-BASED ACCOUNTING VS. IFRS

3.1 FAS explained

The Finnish accounting standards prioritize debtors' security and tax authorities. The framework for accounting and financial statements comes from the Accounting Act and the Accounting Ordinance. (Salmi, 2020.)

The Finnish Accounting Act is based on the expenditure-revenue theory by Martti Saario, emphasizing the income statement and using the matching principle. According to this principle, the expenses that come from getting a certain revenue are deducted from the revenue. The difference between the revenue and expenses is either profit or loss. (Hinno, 2020, citing Ihanntola & Leppänen, 2018.)

To fully understand the Finnish accounting standards and the way they behave, it is crucial to take a look at their history. According to Virtanen (2009), the first Finnish accounting textbook was written in 1862 by August Lilius. Originally, entrepreneurs who needed accounting skills to secure their trade permits started the practice. Legislation has approved Finnish accounting ever since the first accounting act was passed in 1925. (Virtanen, 2009, citing Nasi, 1990; Nasi & Nasi, 1997; Virtanen, 2007.) In 1945, Professor Martti Saario found the expenditure-revenue theory, which has influenced the accounting standards in Finland (Virtanen, 2009, pp. 357-379).

Historically, Finland has been described as having concentrated ownership, debt-dominated capital markets, and taxation linked to reported earnings (Kasanen et al. 1996, pp. 283–312).

Finnish accounting regulations, which were originally based on a unique expenditure-revenue theory, were revised in the 1990s to comply with worldwide standards. Finland included important EU requirements into its accounting laws after joining the EU in 1995. During this time, the financial sector started to adopt a more market-driven strategy instead of debt-based funding. As financial institu-

tions reduced their shares, foreign ownership in Finnish listed companies increased sharply, shareholder protection grew, and creditor protection decreased. (Hyytinen et al. 2003, pp. 59–89.)

Finnish accounting standards are less restrictive and place more emphasis on historical cost. In their research, Lantto and Sahlström (2009) state that the transition reporting is generally accurate and that the Finnish authorities provide strong supervision (Lantto & Sahlström, 2009, pp. 341–361).

3.2 IFRS explained

The decision behind harmonizing the accounting standards comes from the fact that each national standard has different methods, and it is too complicated and time-consuming for international investors and authorities to understand and estimate the financial statements of a company (Soininen, 2015, citing Haaramo, 2012). Not only the investors but also the companies benefit from using IFRS. Now that using IFRS is mandatory for companies in the stock market, if a company is in multiple stock exchanges, it doesn't have to make various financial statements using different standards. (Salmi, 2020.)

A Framework for the Preparation and Presentation of Financial Statements was released by the IASB in 1989. It supports the Board's standard-setting mission as well as the interpretation of accounting principles by financial statement preparers, auditors, and users. According to the framework, the primary goal of financial statements is to provide users, mainly investors, with relevant information so they may make better financial decisions. "Give a fair presentation of the state of affairs and performance of a business" is the framework's ultimate goal. The framework states that providing "a true and fair view" is another way to describe fair presentation. The information needs to be relevant and reliable to achieve a fair presentation. (Nobes & Parker, 2008, p. 142-143.)

The IFRS accounting standards consist of IFRSs from 1 to 17, all of which have their own agenda and purpose. The standards also include IASs from 1 to 41, again serving a unique purpose. The interpretations of the standards by the

Standing Interpretations Committee, SIC, and the IFRS Interpretations Committee, IFRIC, can also be found on the official IFRS website. (IFRS, 2025.)

In Table 1, the IFRS and IAS are presented for their purpose. All the IAS standards are no longer in effect, and those are not on the list. The standards in red don't affect Administer Group, and the bolded standards are considered to affect Administer Group the most.

The ones in brackets have been replaced by IFRS. IAS 33, IAS 34, and IFRS 8 are mandatory only for companies that are listed on the stock. (Honkamäki, 2020.)

TABLE 1. IFRS and IAS named.

IFRS Standards	
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
International Accounting Standards (IAS)	
IAS 1	Presentation of Financial Statements

IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
(IAS 11	Construction Contracts) IFRS 15 replaced
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
(IAS 17	Leases) IFRS 16 replaced
(IAS 18	Revenue) IFRS 15 replaced
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
(IAS 39	Financial Instruments: Recognition and Measurement) IFRS 9 replaced
IAS 40	Investment Property
IAS 41	Agriculture

3.3 Differences between FAS and IFRS

This chapter presents the differences between the standards that the author considers having the biggest relevance for the case company, Administer Group. As the thesis has shown by far, there are many similarities in the standards, but also significant differences, both structural and in the contents. It is important to remember that revenues and expenditures don't change between the standards, only the way they are presented changes (Salmi, 2020). Table 2 illustrates the differences between the standards, after which they are explained in more detail.

TABLE 2. Differences between the standards

Area	IFRS	FAS
Structural Differences	Principle-based, standardized global framework, requiring professional judgment.	Law-based (Finnish Accounting Act), regional approach, with some flexibility.
Content Focus	Investor-oriented, emphasizes balance sheet and fair value.	Debtor-protection oriented, emphasizes income statement and distributable profits.
Financial Statements	Requires extensive income statement, balance sheet, cash flow, changes in equity, notes, and accounting principles. No fixed templates.	Requires income statement, balance sheet, funds statement, and notes. Detailed templates provided.
Management Report	Not mandatory, but recommended MD&A/OFR with comprehensive content.	Mandatory, based on the Limited Liability Companies Act and the Accounting Act.
Business Combinations	Clear rules for purchase price allocation, non-controlling interests, contingent considerations, and adjustments.	Vague rules: contingent consideration added to acquisition cost.

Depreciations	Used only if it reflects the actual consumption of economic benefits, must be justified.	Primarily used for tax purposes without needing justification.
Assets Held for Sale & Discontinued Operations	Detailed rules on classification, measurement, and disclosure.	Only general guidance to ensure a true and fair view.
Segment Reporting	Detailed rules, based on the internal management view. Mandatory for listed companies.	Minimal regulation, only revenue by segment/market required.
Revenue Recognition	Five-step model	Less systematic, no performance obligations.
Leasing Agreements	Almost all leases are recorded on the balance sheet.	Normally recorded as operating expenses.
Impairment Testing	Detailed annual testing	Impairment rules are not as comprehensive.
Goodwill	Not depreciated but annually tested for impairment.	Depreciated systematically over useful life.

3.3.1 Structural differences

One significant structural difference between IFRS and FAS that comes up in research is that IFRS follows a standardized framework with clear principles and standards for various kinds of accounting scenarios. Finding relevant data is made easier by the standards' methodical organization. However, since IFRS is founded on principles, it can be applied with professional judgment. FAS, on the other hand, offers a more regional approach because it is founded on the Finnish Accounting Act and associated laws, giving professionals some freedom in financial reporting while still adhering to the law. (See IFRS and KILA.)

3.3.2 Differences in content

IFRS requires more content than FAS. Many things have to be explained in the notes on the financial statement (see table 1). IFRS is based on the Anglo-Saxon way of thinking, focusing on the investors and developed financial markets, mainly valuing the balance sheet as a source of financial information. FAS, on the other hand, prioritizes the protection of debtors, emphasizing profit and loss statements, particularly on the distributable retained profit, which IFRS does not recognize at all. FAS obeys a strict connection between accounting and taxation, which doesn't comply with IFRS' priorities. With IFRS, a lot of entries are made directly into equity without affecting the income statement, which is highly exceptional with FAS. In Finland, balance sheet assets have traditionally been evaluated using purchase cost, however, IFRS valuation methodologies are mostly based on fair values or market-based principles. (Salmi, 2020.)

3.3.3 Financial statements

With Finnish accounting standards, the required statements to present are the income statement, balance sheet, funds statement, and notes to the financial statements. The accounting regulation hands out detailed formulas for the statements. The cash flow statements are made on the recommendations given by the Limited Liability Companies Act and the Accounting Act. IFRS requires an extensive income statement, balance sheet, statement of changes in equity, cash flow statement with defined contents, accounting principles, and notes to the financial statements. The extensive income statement includes not only the profit or loss from operations but also the items affecting equity, which come from the change in the valuation of assets and liabilities. IFRS defines the minimum requirements but doesn't hand out detailed formulas like FAS. (Salmi, 2020.)

3.3.4 Management report

For FAS, the management report is not a part of the financial statements, but it is processed the same way as they are. When making the management report, it

is mandatory to follow the directions given by the Limited Liability Companies Act and the Accounting Act. IFRS does not require the management report, but it recommends creating Management Discussion and Analysis, MD&A, or Operating and Financial Review, OFR. From the capital market's point of view, the MD&A or OFR is inevitable. It needs to include operating result, liquidity and financial assets, research and development, R&D, and development trends. (Salmi, 2020.)

3.3.5 Business combinations

There are essential differences between FAS and IFRS when it comes to business combinations. Even the acquisition cost is valued differently between the standards, both having their own instructions on how to estimate the value. IFRS has clear instructions on how to measure items in the purchase price allocation, while FAS's instructions are more indeterminate. Furthermore, IFRS has differences in the measurement of non-controlling interests and the accounting for contingent consideration. FAS recognizes the contingent consideration as an addition to the acquisition cost, whereas IFRS might recognize part of it as a share-based payment and thereby affect profit or loss. IFRS also has comprehensive instructions for purchase price adjustments. (Honkamäki, 2021.)

3.3.6 Depreciations

Depreciations allow companies to amortize the expense of an asset over its useful life. When purchasing an asset, the company will estimate the time of useful life. The Accounting Act's general rule is scheduled depreciation, to which it gives options. Straight-line depreciation calculates the useful life and divides the expenditure evenly for each year. Diminishing balance depreciation calculates the amount of depreciation using a pre-chosen percentage. The Finnish Tax Administration allows a maximum rate of 25% on the residual value. This leads to higher depreciation expenses in the early years, decreasing over time. It is also possible to use a combination of both. (Minilex, n.d.)

IFRS allows the straight-line method, the diminishing balance method, and the units of production method. While the diminishing balance method under FAS and IFRS may initially seem similar, their underlying purposes differ significantly. With FAS, it is used to enable faster decrease of the expenses in taxation and doesn't need permissions or clear reasoning for it. IFRS sees it as showing the financial benefit and its consumption during the first years. Using it is rarer, and to enable it, a company has to define the reasons for it, and they have to be accepted. It is purely based on accounting and reporting. (IFRS, 2025.)

3.3.7 Non-current assets held for sale and discontinued operations

FAS doesn't specifically regulate the informing of operations or assets held for sale and being discontinued except for giving a true and fair view. IFRS regulates the information needed in detail. (Salmi, 2020.)

The non-current assets or discontinued operations are shown as assets held for sale at the time of discontinuation. The depreciation records end. It is necessary to determine whether the purchase price listed on the balance sheet or the expected selling price is being used for valuation before classification. The discontinued operations need to be presented so that it's possible to evaluate the income generation capacity of the remaining operation. All this needs to be completed within one year. (Honkamäki, 2021.)

3.3.8 Segment reporting

The Finnish Accounting Ordinance requires that business segments and market areas present the revenue distribution, but doesn't regulate the way of presenting them in more detail. IFRS, on the other hand, hands out detailed instructions on how the segments are formed and what information needs to be given. Segment reporting is mandatory for companies in the stock market, and it is recommended for other companies as well. (Salmi, 2020.) The segment reporting is made from the company's management's point of view (Honkamäki, 2021).

3.3.9 Revenue from contracts with customers

When recording the revenues from contracts with customers, IFRS has a five-step approach. The first step is to recognize when the contract between the company and a client is made. The second step is to define what is to be done in order for the customer to pay for the service provided, called performance obligations. Third, the price for the contract is defined. In the fourth step, the purchase price is defined and allocated to each of the performance obligations. Lastly, the contract is recognized as revenue when each performance obligation is satisfied. (Honkamäki, 2020; IFRS, 2025.)

FAS doesn't have as systematic an approach as IFRS; the income from the contract is recorded on an invoice basis or cash basis and doesn't require the performance obligations. The invoice can be paid either at once or in parts. If a company has been paid all at once when using FAS, the income might be allocated to the income statement for different years when using the IFRS method.

3.3.10 Leasing agreements

One of the most noticeable differences between the standards is the leasing agreements. The change affects most companies with multiple rental and leasing agreements, Administer Group being one of them. While FAS recognizes the leasing agreements in the income statement, IFRS has its own procedure.

Apart from those that are particularly short or don't have significant cost, every leasing agreement is shown on the balance sheet. A contract is considered a leasing agreement under IFRS if it contains a specified asset and grants power for the asset for a predetermined period of time in exchange for payment. (Salmi, 2020.)

Another difference is the depreciation of the leasing agreement. With FAS, there is no depreciation; the leasing payments are recorded as other expenses in the income statement. With IFRS 16, the leasing agreement is in the balance sheet, whereas the depreciation and the interest of the debt are in the income statement.

There are different possibilities for the depreciation method. The schedule is determined based on its economic useful life in most cases. The effective interest rate method, where the future lease liability is discounted to the present value, is used when calculating the interest. (Azets Finland, 2024.) The monthly/other decided rental payment decreases the leasing liability, whereas the right-of-use decreases by the chosen depreciation method.

The standard impacts solvency, altering the relationship between equity and debt. IFRS 16 also has an impact on income statements, due to records about interests from the leasing agreement and depreciation of the access right from the asset. The profit/loss is higher than before for companies with multiple operating leases due to decreased leasing payments in the income statement and higher financing costs. The lessee has to record a right-of-use asset and the corresponding lease liability. The reason behind this is the principle that the leasing agreement is, from the financial view, an “Acquisition of the right to use an asset through installment payments” of the subject to the agreement. Because of this view, the financial liabilities in the balance sheet increase noticeably for companies with many operating leasing agreements. (Salmi, 2020.)

FAS allows this method for recognizing the leasing agreements, but Finnish taxation doesn't. Normally, with FAS, the leases are presented in the income statement in operating expenses. (Penttinen, 2024.)

3.3.11 Impairment testing

The impairment testing is laid out in IAS 36. The main point in IAS 36 is to make sure that an asset is not carried in the financial statements at a higher value than its recoverable amount through its use or sale. The asset will be described as impaired if the book value in the financial statements is greater than the recoverable amount. In this case, the company reduces the book value in the financial statements to the recoverable amount, recognizing an impairment loss. The recoverable amount of intangible assets with indefinite useful lives, intangible assets not yet available for use, and goodwill acquired in business combinations

must be assessed every year. Other assets need to be assessed when there's an indication that the asset may be impaired. (IFRS, 2025.)

The recoverable amount is either fair value less costs to sell, or value in use, depending on which one is higher. Fair value less costs to sell is the amount an asset could sell for in an open market transaction between informed and cooperative parties, minus the cost of disposal. Value in use is the asset's present value, calculated at a suitable discount rate, of the expected future cash flows it would provide. The smallest cash-generating unit, CGU, that generates independent cash flows is used to calculate the recoverable amount of an asset if its individual value in use can't be determined. The recoverable amount of the CGU that is allocated to is used to determine goodwill impairment. An impairment loss needs to be recognized immediately in the income statement. The book value of the asset, or CGU, is reduced. For a cash-generating unit, the goodwill is reduced first, and after that, other assets are reduced proportionally. Future depreciation is adjusted to allocate the revised book value over the asset's remaining useful life. (IFRS, 2025.)

3.3.12 Goodwill

Using FAS, the goodwill is depreciated according to the planned depreciation schedule during its effective period. Using IFRS, there are no depreciations, but the goodwill will undergo yearly impairment testing. The value of the goodwill will stay the same if the impairment testing doesn't show signs of impairment. If the impairment tests show a decrease in the value of the business, it will be recognized in the company's accounting through profit or loss. (Heikkilä, 2021.)

3.4 Assessing the superiority of IFRS over FAS

While there's a lot of discussion about IFRS and how companies should move towards complying with them instead of domestic accounting standards, it is good to evaluate whether the IFRS provides more qualified data than the Finnish Accounting standards do. In their comprehensive research, Jarva and Lantto (2012)

conducted an empirical study of 94 Finnish companies that transitioned to using IFRS under the pressure of becoming stock-listed, meaning that the voluntarily transitioned companies were selected out of the study. They came to the conclusion that IFRS accounting amounts do not have higher quality than accounting amounts based on FAS. Also, earnings documented with IFRS are no more timely in reflecting publicly available news than ones documented with FAS, which came as a surprise for the authors. (Jarva & Lantto, 2012, pp. 141–177.)

The use of IFRS standards brings value to a company in the sense of internationality, but companies must still comply with Finnish laws. Because IFRS do not prioritise tax authors, Finnish companies using them must pay attention to ensure they gather enough data for proper taxation. Therefore, even when the financial statements are prepared with IFRS, companies have to be able to attach detailed clarifications to the annual tax return. (Penttinen, 2024.)

4 DIFFERENCES IN BALANCE SHEET

To understand how IFRS impacts the balance sheet, a comparative analysis is conducted using the balance sheet information from Administer Group's financial statements for 2024, along with the authors' consideration of how these changes could be implemented. The numbers on the IFRS adjustment and IFRS column in Table 3 are imaginary. Table 3 illustrates the impact of intangible assets, tangible assets, and leasing debts on the balance sheet. The numbers are in thousands of euros.

TABLE 3. Differences in the values of the Balance sheet

Balance sheet	FAS	IFRS adjustments	IFRS
Intangible assets	41 259	3741	45 000
Tangible assets	997	3	1000
Leasing debts	none	-2000	-2000

4.1 Intangible assets

Intangible assets include development costs, intangible rights, goodwill, and other intangible assets. With FAS, these are valued by the acquisition cost, which is deducted through yearly amortizations. Administer Group's intangible assets as of 31.12.2024 were 41,259 thousand euros. Since IFRS uses fair value and impairment testing for assets that have indefinite useful life instead of amortization, the value can be higher, depending on the market. For this table, the value of 45,000 thousand euros seems logical, since the yearly amortization is not done.

4.2 Tangible assets

Tangible assets include land and water areas, buildings and structures, machinery and equipment, and other tangible assets. Tangible assets are valued by depreciation and impairment, when using IFRS, and by purchase price with yearly depreciation, when using FAS. Taking into consideration the scheduling and method of depreciation and the market, the IFRS value for tangible assets could be 1000 thousand euros.

4.3 Leasing debts

The leasing debts make the biggest difference in the balance sheets. With FAS, it is not recorded in the balance sheet, but IFRS recognizes it as a debt. Administer Group's rental agreements are around two million euros, which has a significant impact on the balance sheet when done with IFRS. The entry is made to the lease liability account, with the corresponding entry to the right-of-use asset account. To calculate the actual amount that the leasing agreements cause, more information, such as discounted value using the incremental borrowing rate, is needed, but this gives an example of how it is seen in the balance sheet.

4.4 Overall change

IFRS's method of valuing the intangible and tangible assets may improve the balance sheet, as it has the market value of the assets, which can be higher than the purchase price after considering different methods of depreciation, and the lack of depreciation for assets with indefinite useful lives. The balance sheet provides more information. The increased amount of debts due to the leasing agreements affects the solvency ratios, such as the equity ratio. The lack of rental expenses in the income statement, replaced with the interest expenses and depreciation, impacts the EBITDA.

5 INTERVIEW

5.1.1 Introduction of the interview

This interview was conducted to gain real-life information about IFRS in addition to the various theoretical information that was found and used during the thesis process. An IFRS professional who currently works in Finanssiavonta but has experience with IFRS from as far back as 2001 was interviewed. Her strong knowledge of the standards helps this thesis to take the theory to the next level. From this interview, it was hoped to learn more about the preparations needed, the mistakes that companies might make when transitioning, the risks that are linked to the process, the costs, and the impacts of the transition on the company. The questions asked in the interview are:

How should companies prepare for the transition?

What are the most common mistakes, and how could they be avoided?

What kind of costs are in the process?

What risks are there in the transition, and how to avoid them?

Does the transition improve the business, or can it even weaken it? How?

Is it possible to make the transition on their own or do you recommend hiring a consultant?

5.1.2 Methods of the interview

The interview was held on a Teams call. It is a semi-structured interview, having a set of questions but allowing flexibility to gain more in-depth information. The interview was qualitative in nature, with questions designed to gather explanations from the interviewees. An email was sent to the contact people listed on

Finanssivalvonta's website in order to find the interviewee. It was decided to keep the interviewee anonymous but to disclose their occupation and current job for clearance.

5.1.3 Findings

A GAP analysis is needed for a company to find out the biggest differences between the standards and how they affect the company. With GAP analysis, the differences between current and new standards are recognized. The key changes, like external factors, risks, possibilities, and the leading process, are under surveillance. The outcome of the analysis is a report, working as guidance and support during the practical execution. (DNV, n.d.) It is usual to have external help from a consultant for the analysis. The company must think thoroughly about how much responsibility is given only to the consultant and how much effort the organization puts into learning the process.

There's a risk of needing to hire a consultant for the future financial statements if the organization does not educate itself enough about the standards and what it takes to comply with them. It is also possible to make the transition without an external consultant, but it requires a lot of time, speaking about years, and education. Sometimes, smaller companies or companies under time pressure to make the transition may make the transition with the consultant doing most of the job, and only after that, invest in studying and learning everything. Time should be invested in writing the accounting manual to be accurate with the company, rather than just copying the standards from IFRS. The process of IFRS conversion before listing usually takes about six months.

The most common mistakes are giving the project to an external consultant completely without being a part of it and learning on the way. Also, taking the transition too lightly can be a major mistake. The differences in, for example, impairment testing or related party disclosures might surprise the managers if not enough preparation has been made.

The costs of the project depend on various things. The most visible and greatest cost is hiring the consultant. Other costs are educating the organization so that they can work independently with IFRS in the future. It can take from one business day to years to study and learn everything, depending on how much responsibility is given to the consultant and how much is given to the staff. In addition to the IFRS process, the prospectus for listing is made by an attorney, which can be expensive too. The cost range can vary from thousands to a million.

Some major risks apply to not taking the process seriously enough and not actually putting effort into learning it. If there's not enough preparation, or if the process is tried to get done too fast, it leaves room for mistakes. Risks also arise from copying the standards without internalizing the information or acting accordingly. A factor for risk is also saving money on not hiring a professional when it is needed.

If a company wants to attract foreign investors or even buyers from abroad, it is recommended to use the IFRS standards, even though the company wouldn't be stock-listed. It is important to know that using IFRS is not a way to glorify the numbers of a company, it is simply just a universal accounting language. IFRSs are principle-based, which means that there's a lot left for professionals to consider when reporting. This is why the notes to the financial statements have to be long and comprehensive. Every decision has to be explained.

5.1.4 Analysis

The interview was eye-opening in a different way. After reading lots of theoretical books and publications, it was assumed that everything there was to know had already been understood, but a clearer perspective was gained from the companies' point of view. The interview answered quite extensively to the research question number two: "What to consider when transitioning from FAS to IFRS standards?". Even though the answers agree with the literature read, they made the whole topic feel easier to understand, because it was from human to human without complicated scientific words. This is where the interview was aimed, so

that the thesis would be readable and understandable even for those who don't know so much about the topic.

Small things, like the notes to the financial statements, arose repeatedly during the research process, but the reason why they are so extensive didn't really come up. After discussing with the interviewee, it was understood that the discretionary nature of the standards requires explanations.

Also, while companies may fear the risks that come with the transition, it is relieving to understand that the risks originate from the lack of motivation to do and learn the transition properly, and with good preparations, they are easy to avoid.

6 TRANSITIONING

6.1 Procedure

The transition is made following IFRS 1. It requires identifying the first financial statements complying with IFRS, preparing an opening balance sheet that includes all the assets and liabilities that IFRS requires, and excludes any that IFRS doesn't permit, classifying all assets, liabilities, and equity following IFRS, and measuring them likewise. The implications of the opening balance sheet are shown in Appendix 1. Opening balance also includes "the date of transition to IFRS, " meaning that if the company wants to comply with IFRS on the year ending 31.12.2025, the transition date to IFRS will be 01.01.2024, and the adoption date will be 01.01.2025. (PwC US National Office, 2024.)

IFRS 1 also requires carefully considering which accounting policies the company wants to comply with and adding them retrospectively to all periods that are presented in the first IFRS financial statements. IFRS 1 also gives an opportunity to apply 10 exemptions from the retrospective application. The exemptions are presented in Appendix 2. There are also four mandatory exemptions from retrospective application, which are presented in Appendix 3. Also, extensive disclosures of the transition are required. (PwC US National Office, 2024.) It is important to remember that the Appendices were made in 2004, and they are compared to US GAAP. This requires consideration, since some things may have changed, and FAS is not equivalent to US GAAP, but it gives a good framework on what to look more into.

Any entity that a company has control over will have to be integrated. On the same day as the parent company, subsidiaries that were previously not included in the group financial statements are consolidated as though they were first-time adopters. The difference between the subsidiary's net assets as reported by IFRS and the cost of the parent company's investment in the subsidiary is treated as goodwill. (PricewaterhouseCoopers, 2004.)

It is important for Administer Group to first decide the people who should educate themselves about the IFRS. The more the better, so that in case of a resignation, the information and skills still stay in the group. Education takes time, so it is crucial to have a plan on how to divide the tasks so that the existing work doesn't suffer. The group should decide whether they want to make the transition on their own or with an external consultant. If they want to do it on their own, a lot of time, even years, need to be assigned to learn everything. If an external consultant is hired, it is important to discuss their role in the transition: to guide and teach, or to have more responsibilities. The first one is recommended to ensure continuous learning and to save on costs in the future.

Valuating the financial impact using the below-mentioned methods, balanced scorecard, and total cost of ownership, helps recognize and prioritize the costs and should be done before starting the process. Also, considering the risks using the COSO ERM framework and risk matrix helps prepare for potential risks, and should also be done. After these are considered, the Group can start looking into IFRS 1.

PricewaterhouseCoopers (2004) published instructions for the step-by-step application of IFRS 1 that goes as follows:

Step 1: Identify the key dates and the first IFRS financial statements.

Step 2: Identify the differences between the accounting policies applied under GAAP (FAS in this situation) and those that IFRS require and select the accounting policies to be applied under IFRS.

Step 3: Consider whether to apply any of the 10 exemptions from mandatory retrospective application

Step 4: Apply the four exceptions to retrospective application and determine whether the information exists to apply these to an earlier date.

Step 5: Prepare an opening balance sheet at the date of transition to IFRS

Step 6: Identify disclosures that IFRS 1 requires.

6.2 Risks

6.2.1 COSO ERM framework

COSO ERM framework states the meaning of compliance risks as “those risks relating to possible violations of applicable laws, regulations, contractual terms, standards, or international policies where such violation could result in direct or indirect financial liability, civil or criminal penalties, regulatory sanctions, or other negative effects for the organization or its personnel.” The framework has five components, which are governance and culture, strategy and objective-setting, performance, review and revision, and information, communication, and reporting. Using these components, the framework can help manage these risks systematically. (Society of Corporate Compliance and Ethics & Health Care Compliance Association, 2020.)



PICTURE 1. COSO ERM framework components. Source: COSO Enterprise Risk Management – Integrating with Strategy and Performance.

When applying the framework to Administer Group’s IFRS transition, the governance and culture component could include assigning IFRS transition responsibilities to a dedicated team and training employees on IFRS compliance. In the strategy and objective-setting component, the IFRS adoption is aligned with the business goals, and the level of risk that Administer is willing to accept within financial reporting is defined. The third component, performance, identifies risks and assesses the financial impact of them, and develops mitigation plans. The

possible risks for Administer Group's transition to IFRS are listed in chapter 6.2.2. The review and revision component monitors IFRS implementation progress and conducts post-implementation reviews and adjusts policies as needed. Finally, the information, communication, and reporting component ensures accurate and timely IFRS reporting and communicates IFRS-related risks and changes to stakeholders.

6.2.2 Business model risk matrix

After thorough research and the interview, five main risks that affect Administer Group with the transition can be found. Picture 2 sets the risks on a matrix based on the likelihood and the consequence of the risk. The five main risks are:

1. The organization doesn't take the transition seriously
2. The organization delegates the process completely to an external consultant
3. The organization copies the standards but doesn't apply them to the business
4. Communication between the stakeholders is insufficient
5. System challenges.



PICTURE 2. Risk matrix.

The first risk is that the organization doesn't take the transition seriously. This means rushing the process, taking it too lightly, like it's just a little update. It is a big decision and requires a lot of research and changes in the organization. With Administer, the likelihood of this happening is very low, but the consequences, financially and reputationally, are severe. The second risk, delegating the process completely to an external consultant, doesn't teach the organization about the process. If the organization doesn't learn about the IFRS, it will need help again next year, having to pay again. To mitigate this risk, the organization has to put effort into learning everything, using the consultant as a guide for the projects, but having its own financial team do the most. This way, when the next financial reports have to be done, the organization has internal knowledge. This is placed low on the likelihood scale but also has severe consequences. Hiring a consultant is expensive and is preferably a one-time expense.

The third risk is that the organization copies the text from the standards to the reports but does not actually live by them. This leads to mistrust among the stakeholders. This can be mitigated by taking the time needed and carefully reviewing the reports. This is placed a little higher on the likelihood, but only because it can be done because of a mistake or feeling under time pressure. The consequences are high, but it can also be fixed by paying more attention to it. The fourth risk is also associated with the stakeholders. Insufficient communication between inves-

tors, management, and other stakeholders can lead to misunderstandings, incorrect decision-making, and loss of stakeholder confidence. Administer Group has many briefings with stakeholders, so the likelihood of this happening is low. The last risk is system challenges. The standards have differences in the reports and data calculations. It is crucial to make sure that the systems are updated to comply with the IFRS way of reporting. The likelihood is higher because system failures can depend on many things. Usually, they are fixable and don't cause too much harm if detected on time.

6.3 Financial impact

As the interview showed, the costs can vary depending on the size of the company and the project. Hiring an external consultant and a lawyer are the biggest visible amounts, but educating the finance team to comply with IFRS is an invisible cost.

6.3.1 Balanced scorecard

A good way to track the expenses and the benefits the cost brings is to create a balanced scorecard. The balanced scorecard is made with the author's consideration and thus works as an example for Administer Group. Administer Group might have different objectives and targets. The illustration of the balanced scorecard for Administer Group is in Appendix 4.

The balanced scorecard includes four sectors: Financial, Customer/Stakeholder, Learning and Navigation, and Internal Business (Kaplan & Norton, 1993). When creating the balanced scorecard from the point of view of implementing the IFRS standards for Administer Group, the main financial objective is to estimate the impact that the transition causes. It can be measured by comparing the cost of transitioning with the value it brings in return on investment, return on equity, and debt-to-equity ratios. Also, keeping an eye on the changes in stock price performance gives important evidence of the succession of the transition.

When it comes to customers and other stakeholders, the main objective could be to improve the transparency and investor trust, and offer an opportunity to provide IFRS guidance for the customers of Administer Group. The success can be tracked by the number of new international investors, and profit from the guidance, as well as customer satisfaction.

For learning and navigation, the objective is to build IFRS expertise and system capability. It can be measured by the number of employees trained in IFRS. The objective for internal business is to enhance internationally understandable financial reporting efficiency, which can be measured by the time taken to prepare the IFRS financial statements, the number of mistakes in the mentioned financial statements, and the alignment of processes with IFRS standards.

6.3.2 Total cost of ownership

Instead of focusing solely on the short-term cost, it is crucial to determine the total cost of ownership, TCO, which includes the direct and indirect costs as well as the cost of operation. The purchase price, costs that come with operating the item, maintenance, and training are examples of expenses that the company has to consider. (Twin, 2025.)

For Administer Group, the costs can be divided into categories, such as initial implementation costs, operational costs, regulatory and compliance costs, and opportunity costs. Initial implementation costs have costs like IFRS consulting fees, training sessions, and system and software updates. The operational costs include costs that arise from higher audit fees and more complex reporting. External legal consultation, continuous IFRS updates, and licensing costs for IFRS tools are examples of regulatory and compliance costs. It is good not to forget the opportunity costs coming from the inefficiencies during the transition period and the temporary disruptions in decision-making when the focus is on the transition. Some of these costs are one-time costs, and some of them arise yearly. These are examples, again made with the author's consideration, and Administer Group can use its consideration when calculating the TCO. After considering the price for each category, Administer can calculate the savings and or revenues from the transition and see how much the net TCO would be.

7 TRANSITION ROADMAP FOR ADMINISTER GROUP

To ease the process of planning the transition, a roadmap comes in handy. Appendix 5 presents the author's consideration of what the roadmap could look like and what could be good time frames for the process.

The first step is to find out what skills the organization already has and how to improve them, how the systems work, and what kind of data is available and how it needs to be improved. Also, deciding a team responsible for the transition is important, as well as communicating to stakeholders about the change. Raising the overall awareness of the IFRS across departments makes the transition smoother. This phase could take one to two months.

As the interview recommended, a Gap analysis should be done, identifying the differences between FAS and IFRS that affect the company the most, for example, revenue recognition, leasing agreements, and goodwill. In this phase, also the COSO ERM and Business Model Risk Matrix, presented in chapter 6, should be prepared. Planning the changes in the systems and processes, as well as allocating the resources in use, are a part of step two. For this, it would be good to reserve two to three months.

After these phases, the financial impact should be assessed. It includes measuring the changes to financial statements and evaluating the cost versus benefit using the Total Cost of Ownership, also presented in chapter six. Balanced Scorecard should also be done during this phase to align the transition goals with the strategy. Implications for taxation, Key Performance Indicators, and reporting cycles should be reviewed. The third phase could take one to two months.

Phase four, implementation, takes more time. For this, it would be good to have three to six months so that everything is taken care of. Accounting policies and IT systems need to be adjusted to IFRS, as well as the financial reports. To avoid over-reliance on external consultants, the finance team should be trained. Also, auditors should be engaged to ensure compliance with IFRS disclosures.

The final phase, reporting and continuous improvement, includes the finalization and audit of the IFRS financial statements. Performance, feedback, and regulatory compliance should be monitored, and the lessons learned should be documented. Also, it is important to update the internal controls. Maintaining the staff's competence is a crucial part of the last phase. This phase could take one to two months, plus continuous learning.

The total time that the transition takes, taking into consideration everything in the roadmap, is from eight to fifteen months, depending on the resources available.

8 CONCLUSION

The main objective of this thesis was to investigate what are the biggest differences between FAS and IFRS and what it takes to transition from using FAS-based accounting to comply with IFRS. To achieve this objective, the following research questions were posed:

1. What are the main differences between FAS and IFRS standards?
2. What to consider when transitioning from FAS to IFRS standards?

A combination of literature study, comparative analysis, and a qualitative interview was used to answer these questions. The research successfully answered both research questions, limiting them into the needs of the commissioner, Administer Group. One of the aims was to present the standards in a way that would be understandable even for readers with no or limited prior knowledge of IFRS or FAS.

The findings of the thesis revealed significant insights in addition to answering the research questions. The most notable differences arise from the users of the information. FAS prioritizes creditors and tax authorities, and IFRS prioritizes investors. The shift from FAS to IFRS affects not only the financial presentation but also the internal processes, particularly regarding transparency and disclosure. Additionally, motivation and internal competence were identified as key enablers in managing the transition. These insights highlight the importance of developing internal IFRS knowledge to avoid over-reliance on external consultants.

Based on the research, the following recommendations are proposed for Administer Group:

- Follow the transition roadmap for IFRS adoption with clear responsibilities. It is also important to make sure that the existing work doesn't suffer.
- Provide targeted training for finance staff to build internal competence.
- Conduct a follow-up assessment after implementation to measure effectiveness and identify improvement areas.

Implementing these actions is expected to improve reporting accuracy, cost efficiency, and long-term strategic alignment.

Even though this thesis is a case study for one company, it offers insights and brings value for a wide range of Finnish companies preparing for IFRS adoption. Many of the challenges identified are likely to be common across industries. The tools for assessing risks and financial impact, COSO ERM, Balanced Scorecard, and TCO, can be adapted to various organizational contexts. Additionally, the roadmap can be implemented for different companies if the priorities are the same, or it can be easily adjusted.

While the research was carefully planned and executed, certain limitations should be acknowledged. The interview data was limited due to a shortage of interviewees. This could be due to the timing of the research; April is the due month for financial statements to be published for the majority of companies, so the professionals were very busy with them. Although only one interview was conducted, it provided in-depth and reliable insights that supported overall findings. Future studies could benefit from a broader range of interviews, conducted at a different time, and from comparing financial statements of the same company before and after IFRS implementation.

Finally, the thesis process significantly contributed to the author's personal and professional development. Through this project, the author learned to manage a large amount of information and deduce what is most important, considering the research questions and the objective. Additionally, critical thinking, which is required when choosing the references, was developed during the process. The topic of IFRS was entirely new to the author, but through this project, it became a meaningful area of expertise. Also, carefully considering financial impact and risks taught the author to use the frameworks as well as the roadmap, instead of just writing about them. While academic writing in a non-native language presented challenges, AI tools such as Grammarly and Quill Bot supported the development of clear and professional expressions.

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APPENDICES

Appendix 1. Implications of the opening IFRS balance sheet. Source: PricewaterhouseCoopers, (2004) Adopting IFRS

Accounting requirement	Implications
Recognise assets and liabilities that IFRS requires	<p>Many companies will recognise additional assets and liabilities, for example:</p> <ul style="list-style-type: none"> • defined benefit pension plans • deferred taxation • assets and liabilities under finance leases • provisions where there is a legal or constructive obligation • derivative financial instruments • acquired intangible assets • share-based payments (IFRS 2)
Derecognise assets and liabilities that IFRS does not permit	<p>Some assets and liabilities recognised under a company's previous GAAP will have to be derecognised, for example:</p> <ul style="list-style-type: none"> • provisions where there is no legal or constructive obligation • general reserves • internally generated intangible assets • deferred tax assets where recovery is not probable
Classify all assets and liabilities in accordance with IFRS	<p>Assets and liabilities that might be reclassified include:</p> <ul style="list-style-type: none"> • investments in accordance with IAS 39* • some financial instruments previously classified as equity* • any assets and liabilities that have been offset where the criteria for offsetting in IFRS are not met – for example, the offset of an insurance recovery against a provision • non-current assets held for sale (IFRS 5)
Measure all assets and liabilities in accordance with IFRS	<p>Assets and liabilities that might be measured differently include:</p> <ul style="list-style-type: none"> • receivables (IAS 18) • employee benefit obligations (IAS 19) • deferred taxation (IAS 12) • financial instruments (IAS 39)* • provisions (IAS 37) • impairments of property, plant and equipment and intangible assets (IAS 36) • assets held for disposal (IFRS 5) • share-based payments (IFRS 2)

Appendix 2. Optional exemptions from retrospective application. Source: Price-waterhouseCoopers, (2004) Adopting IFRS

Exemption	Choice
Business combinations	<p>For all transactions accounted for as business combinations under previous GAAP:</p> <ul style="list-style-type: none"> • do not restate business combinations before the date of transition; • restate all business combinations before the date of transition; or • restate a particular business combination, in which case all subsequent business combinations must also be restated.
Fair value as deemed cost	<p>For property, plant and equipment:</p> <ul style="list-style-type: none"> • use cost in accordance with IFRS; • use fair value at the date of transition as deemed cost; or • use a revaluation carried out at a previous date as deemed cost, subject to certain conditions. <p>A previous revaluation may be used as deemed cost only if it resulted in a carrying amount that was broadly comparable to fair value or was based on a price index that was applied to cost. The exemption may be applied to any individual item of property, plant and equipment.</p> <p>This exemption can also be applied to intangible assets that meet the criteria for revaluation in IAS 38 and to investment properties where the cost method in IAS 40 is applied. The exemption may not be used for any other assets.</p> <p>A company may also choose a revaluation to fair value in connection with a specific event, such as an IPO, as deemed cost for any individual asset or liability.</p>
Employee benefits	<p>Deferral of the recognition of actuarial gains and losses using the corridor approach in IAS 19 may be applied prospectively. If elected, the exemption must be applied to all benefit plans.</p>
Cumulative translation adjustment	<p>The cumulative translation adjustment may be set to zero. If elected, the exemption must be applied to all subsidiaries.</p>
Compound financial instruments	<p>The two equity elements of a compound financial instrument do not need to be identified if the liability component is not outstanding at the IAS 32/39 transition date.</p>
Date of adoption for subsidiaries	<p>A subsidiary that adopts IFRS later than its parent can elect to apply IFRS 1 or to use the carrying amounts of its assets and liabilities included in the consolidated financial statements, subject to eliminating any consolidation adjustments.</p>

Appendix 2 continues

Exemption	Choice
Comparatives for financial instruments	A company with an adoption date before 1 January 2006 may choose not to restate its comparatives for IAS 32 and IAS 39. The company should apply its previous GAAP to financial instruments and hedging transactions for its comparatives.
Designation of financial assets and financial liabilities	A company may choose to classify a financial instrument as a financial asset or financial liability 'at fair value through profit or loss' or as available for sale at its IAS 32/39 transition date.
Share-based payments	A company may choose to apply IFRS 2, Share-based Payment, to any equity instruments that were granted before 7 November 2002 or that vested before the later of date of transition and 1 January 2005 but only if the company has previously disclosed publicly the fair value of the instruments, determined at the measurement date.
Insurance contracts	A company that issues insurance contracts and has a date of adoption before 1 January 2006 may choose not to restate comparatives for IFRS 4, Insurance Contracts. The company applies its previous GAAP to insurance contracts for its comparatives.

Appendix 3. Mandatory exemptions from retrospective application. Source: PricewaterhouseCoopers, (2004) Adopting IFRS

Topic	Exception
Estimates	Hindsight should not be used to create or revise estimates. The estimates made under a company's previous GAAP are revised only to correct errors and for changes in accounting policies.
Assets held for sale and discontinued operations	The IFRS 5 requirements are applied from 1 January 2005. Companies with an adoption date before 1 January 2006 do not restate comparatives for non-current assets that met the criteria to be classified as held for sale at an earlier date. However, comparatives in the income statement are reclassified for discontinued operations that meet the criteria after 1 January 2005. Earlier application is only permitted if the necessary information was obtained at the earlier dates.
Derecognition of financial assets and financial liabilities	<p>The IAS 39 derecognition requirements should be applied from 1 January 2004. Assets and liabilities derecognised before this date should not be recognised in the first IFRS financial statements unless:</p> <ul style="list-style-type: none"> • the company chooses to do so; and • the information necessary to apply the IAS 39 derecognition criteria was gathered when the transactions were initially accounted for.
Hedge accounting	Hedge accounting can be applied to transactions that satisfy the hedge accounting criteria in IAS 39 prospectively from the company's IAS 32/39 transition date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively.

Appendix 4. The Balanced Scorecard for Administer Group

FINANCIAL		CUSTOMER/STAKEHOLDER		INTERNAL BUSINESS		LEARNING & NAVIGATION	
Objective	Estimate the financial impact of implementing IFRS	Objective	Improve transparency and investor trust Opportunity to offer IFRS help as a new service	Objective	Enhance internationally understandable financial reporting efficiency	Objective	Build IFRS expertise and system capability
Measures	Cost of the implementation vs. the expected Return on investment Changes in financial ratios like Return on equity, debt-to-equity Increased investor confidence, stock price performance	Measures	Number of international investors attracted Profit from new service, customer satisfaction	Measures	Time taken to prepare financial statements Number of mistakes in financial statements Alignment of processes with IFRS standards	Measures	Number of employees trained in IFRS
Target	Keep implementation costs under X€ Improve financial ratios Improve share price by Y%	Target	Secure at least Z new foreign investors Revenue growth of X% Growth in positive feedback from customers	Target	Reduce reporting time by X% Minimize mistakes 100% IFRS compliance achieved	Target	100% of finance team IFRS-certified

Appendix 5. Transition roadmap for Administer Group

