



The Danish Bookkeeping Act and the Enterprise

INTRODUCTION

The Danish Bookkeeping Act provides a general set of rules on bookkeeping for business enterprises, which includes the bookkeeping requirements, a description of the bookkeeping system, records and documentation as well as storage of the accounting records.

The following guidelines are intended to give a clear overview of the many duties that the Danish Bookkeeping Act imposes on enterprises.

The guidelines may be read from the beginning to the end, or you may start with the checklist in Attachment A which gives references to the text in the guidelines and allows you to go to the sections which you require to be clarified.

The enterprise will often experience a number of positive effects in the process of preparing and updating the description of the bookkeeping system.

All business procedures will be identified and all inappropriate and weak controls will be revealed – some procedures could perhaps be performed quicker, better, safer or more efficiently. Furthermore, the enterprise's systems and data security, and the operating reliability of the use of IT will also be brought into focus.

The result of this process is that the enterprise will possess an excellent tool for use in the future by managers and employees. Management will have a tool to support decisions in connection with strategic changes in future and expansions in many areas and in particular within IT. Management will have a tool to support new employments and changes in the organisation. The responsibilities of the individual employees will also be clearly defined.

If the enterprise is to use the description of the bookkeeping system constructively, the description must be updated regularly.

It is BDO's hope that these guidelines can serve as inspiration and support for the enterprise. We will be pleased to provide you with further information and professional advice.

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1. DUTY TO KEEP ACCOUNTS

All Danish business enterprises have, irrespective of their ownership or liabilities, a duty to record and retain accounting material in accordance with the Danish Bookkeeping Act.

An enterprise carries on business when it has business activities or is considered to carry on business for profit according to legislation. Public limited and private limited companies, commercial foundations, one-man businesses and partnerships are examples of such businesses.

Foreign enterprises with business activities in Denmark are also subject to the duty to keep accounts, and non-commercial enterprises (organisations and associations etc.), which are either subject to charges or taxes or receive certain public grants, will have a duty to keep accounts.

Societies, which have exclusively a social, cultural, political or humanitarian purpose and which do not earn money for this purpose from business activities, are not subject to the duty to keep accounts.

The duty to keep accounts does not necessarily have to be a huge burden on the enterprise

because the bookkeeping is generally to be organised and performed with due regard to the nature and scope of the activities. Thus, the duties of small craftsmen or leasing enterprises are far from identical with the duties of the large production or commercial enterprise, see paragraph 2.2.

The management of the enterprise, for example the board of directors or the board of executives in a public limited or private limited company or the owner in a one-man business, is responsible for organising the enterprise's bookkeeping in accordance with the Danish Bookkeeping Act. Reference is made to paragraph 7.

2. GENERAL BOOKKEEPING REQUIREMENTS

2.1 Generally accepted bookkeeping practice

The bookkeeping must be organised and performed in accordance with generally accepted bookkeeping practice, namely what is at any time considered good common practice by competent and responsible experts within accounting.

The provisions of the Danish Bookkeeping Act reflect what is as a minimum generally accepted bookkeeping practice. The requirements to the enterprise's accounting records may therefore become stricter over time without any legislative changes. Generally accepted bookkeeping practice includes a number of specific criteria, among others a requirement that

- A description of the accounting system is available for enterprises not using a standard ERP system (paragraph 3)
- All transactions are accurately and promptly recorded (paragraph 4.2)
- The records are created in correct order and refer to vouchers etc. (paragraph 4.2)
- Reconciliations of inventory and other current reconciliations of accounting records are made (paragraph 4.2)
- The transaction trail requirement must be fulfilled as there must be coherence between the individual records and the financial statements (paragraph 4.2)
- The control trail requirement must be fulfilled as there must be information proving the correctness of the records, for example vouchers (paragraph 4.3)
- The storing of accounting material must be proper and for a specified period (paragraph 5).

The above requirements are described in more detail in the following.

2.2 Nature and scope of the activities

In the planning and performance of the recording of the accounts, the nature and scope of the enterprise's activities must be considered. The duties of the enterprise will depend on its size and complexity, the number of transactions and the financial scope of the transactions. Other matters may also be of relevance, such as the industry and IT use of the enterprise.

Very small enterprises, such as small farms, leasing and trade enterprises with few or no employees, are not required to organise their accounting records in the same systematic manner as large enterprises according to the provision on nature and scope. The internal controls and reconciliations do not necessarily need to be of the same scope and a description of the accounting system may be kept at an absolute minimum. Often, no more is required than what will be necessary to prepare and document the tax statement and the VAT accounts.

On the other hand, large and more complex enterprises are required to implement a number of internal controls and describe the organisation of the accounting, the structure and systems in great detail. An outside person with a reasonable knowledge of accountancy, bookkeeping, and IT must be able to gain an insight into how the system works by means of this description, see paragraph 3.

2.3 Accounting environment

The enterprise must set up a secure bookkeeping environment with controls to protect against destruction of the accounting material, removal or distortion. Guidelines for electronic storing and physical access controls to the accounting records are examples of such internal controls.



3. DESCRIPTION OF THE ACCOUNTING SYSTEM

The accounting material should also be protected against errors and abuse. This may for example be performed by implementing physical or electronic access controls to the accounting records, systems and data, depending on the enterprise and its system.

If corrections are made to the accounting records, including corrections of records, and to the description of the bookkeeping system, the original content as well as the content of the change must appear clearly. The corrections must be documented in the form of an internal voucher, which as a minimum refers to the original error with indication of the cause and type of the error.

2.4 Bookkeeping

The bookkeeping may be organised in different ways. The choice of procedures and recording system will depend on the nature and scope of the activities and the requirements and possibilities of the enterprise. The requirements for good bookkeeping practice must always be met.

The enterprise's bookkeeping will often be built up on the basis of an ERP system. A number of other systems may be integrated in this system, such as production and project management systems, payroll systems or fixed asset register systems. The enterprise may have its own system or lease a system. The computerised and the manual systems must be set up and adjusted to the situation of the enterprise to the effect that all statutory requirements have been met, including the Danish Bookkeeping Act.

3.1 Introduction

A description of the accounting system, see paragraphs 3.2-3.5, must be prepared if the enterprise uses a customised ERP system or a standard ERP system with significant modifications and/or integrations with other systems.

If the enterprise uses a standard ERP system without any significant modifications, it is not required to have a description of the accounting system. It is, however, a condition that the IT supplier has prepared a description of the system in order that it will be possible to follow the records and retrieve and print the relevant accounting material and that the systems description is kept in the enterprise. A description of the facilities of the ERP system is not sufficient.

A standard ERP system is defined as a system which can be used by several enterprises without any other individual modifications than those required to run the ERP system on the enterprise's IT system. The enterprise's possibility to make minor modifications to the ERP system for its own purposes and to convert to more recent versions is categorised as insignificant modifications.

3.2 Purpose and scope of the description

The purpose of a description of the accounting system is that outside persons with a reasonable knowledge of accountancy, bookkeeping and the technology used should be able to follow how the records are created and how the accounting material is retrieved and printed in hardcopy. By such a description, the enterprise will consider the interests of the public authorities as well as its own and its auditor's interests. The description can, for example, give management

an overview of and facilitate organisational changes, including employment of new staff. The auditor's review of business processes will also be facilitated.

The description should include the current accounting records (recording of transactions) and how records can be retrieved and printed in hardcopy (storage of accounting material). Manual business processes, internal controls and IT systems must also be described. The description must be updated when changes are made to the accounting system so that it will always reflect the current system.

It is important that the description is prepared as systematically, accurately and clearly as possible by using common language and usual technical terms. The description should be drawn up in only Danish, Swedish, Norwegian or English.

The description should be prepared and adjusted to the nature and scope of the enterprise, including its size, industry and complexity, see paragraph 2.2.

3.3 Content of the description

The description of the accounting system may be divided into the following components:

- **Organisational plan**
A description of the position of the accounting function in the overall enterprise and an overview of the position and responsibilities of the employees
- **Description of business processes**
A description of the recording of transac-

tions, which includes the enterprise's manual business processes, routines and IT systems and the internal controls of these systems, such as input and output data in the accounting records, use of EDI (Electronic Data Interchange), classification instructions and automatically generated records

- **Files**

A description of the storage of the accounting material, such as physical location and how the material is retrieved and printed. Reference is made to paragraph 3.5.

The description may be either verbal, by means of charts, or as a combination of these methods.

3.4 Description of the recording of transactions

The description of the recording of transactions may be based on the enterprise's administrative areas, such as sales, production, purchases, payroll, investments, financing and payments received and made.

For each of these areas, the description must include the whole transaction trail (paragraph 4.2) and the control trail (paragraph 4.3) for each type of record and documentation, including the agreements and contracts, which are of importance for the records. The description must therefore describe in detail:

- How the specific information is gathered or generated, including automatically generated entries (paragraph 3.4.1)
- How they are treated, including classification instructions (paragraph 3.4.2)
- The persons performing the specific tasks

- How the information can be followed from the time they arise and until they are reported and vice versa
- The procedures at year-end
- The general controls and security measures available when using IT (paragraph 3.4.3).

If the enterprise uses electronic data interchange, for example EDI via a network or internet, the agreement and technical descriptions must be included in the description, including set-up and connections and information on software, communication and network. EDI is described in detail in paragraph 4.3.3.

The description must, as mentioned above, be adjusted to the nature and scope of the enterprise.

For a small enterprise, a general description of the IT system and a brief description of the controls performed will often be adequate. For major enterprises or large and complex systems, the description must include all elements.

Enterprises using a standard ERP system with significant modifications are required only to describe the modifications to the standard system as a supplement to the IT supplier's descriptions. However, it is a condition that the IT supplier's descriptions are kept in the enterprise and that it will be possible to follow the records and retrieve and print the relevant accounting material.

3.4.1 Automatically generated records

A computerised accounting system often generates automatic entries, for example recording of VAT, discounts or interest. For such automatic-





ly generated records, an overview of the following must be available:

- The accounts used
- The calculation methods used (calculation basis and formulas)
- A description of how the records are created, and
- A description of how the records are stored.

The information required for preparation of the overview can often be obtained from the IT systems supplier. The overview should, among others, be used for a subsequent control of the calculations and the records.

3.4.2 Classification instructions

Classification instructions should be drawn up to ensure that transactions of a similar type and character are recorded on the same account.

The classification instructions must include an overview of the accounts used by the enterprise (chart of accounts). The chart of accounts must be differentiated in main areas with the relevant necessary accounts and provide clear and adequate names of the accounts. Depending on the conditions of the enterprise, the classification instructions should include a verbal description of the principles for the structure of the chart of accounts, classification of records, the dates of the records, and the content.

The classification instructions must, like the other descriptions, be adjusted to the conditions of the enterprise. For the small enterprise, a chart of accounts with supplementary comments will typically be sufficient. For the large enterprise or the enterprise with complex systems, which among others include several financial state-

ments and accounts with several dimensions, the requirements to the classification instructions will be higher. In this situation it will also be an essential criterium that the daily or external user can directly obtain an overview of how the records are created by the enterprise.

3.4.3 Description of IT system

If an enterprise uses IT systems for recording, a description must be available of the systems used (description of IT system) for the purpose of ensuring that

- The IT system is clearly defined and documented
- The users can use the IT system correctly, and
- The IT system can be reliably maintained

A description of the IT system will give the enterprise and its management, auditors and public authorities an overview of the tasks run on the system and its connection with other systems and manual business processes. A good description of the IT system will have many advantages for the enterprise, for example in connection with strategic considerations, IT investments and staff leaving and starting employment.

The scope of the description of the IT system will depend on the type of enterprise and the systems used. The description of the IT system must also be adjusted to the conditions of the enterprise but should always be of such a nature that a person with a reasonable knowledge of IT and accountancy can follow the functions of the system. The description is an element of the overall description of the accounting system and should be viewed in the context hereof.

The enterprise often enters into an agreement with the IT supplier for preparation of a description of the IT system, for example significant modifications to a standard ERP system. Notwithstanding that such an agreement exists, it is always the responsibility of the enterprise that the necessary descriptions exist.

The content of the description of the IT system can naturally be divided into:

- **IT organisation**

The description must include an account of, among others, the organisational structure and the distribution of responsibilities within IT

The distribution of responsibilities within the enterprise should, as far as possible, be designed to ensure a clear segregation between management of operations and development and maintenance of user systems and the users' control in this respect

- **General description of the IT system**

A verbal description of the objective of the system and its general functions as well as a chart of the tasks and systems modules, with further information on the system owner, data owner, hardware, connection systems, are important elements of the description of the IT system

- **User manuals**

User manuals, which are intended to ensure the users' correct use of the IT systems, should include start and stop procedures, overview of functions and reports as well as an overview of automatic and manual controls

- **Systems manuals**

Systems manuals, which are intended to ensure the possibility of continuous development, should include an overview and a description of software and the connection between data and software. The systems manuals should also include a description of the authorisation system and security requirements, for example a list identifying the persons and the IT systems that these persons have access to, and a description of how access is controlled (password)

- **Operating manuals**

Operating manuals, which are intended to ensure correct operation of the specific IT systems, should include an overview of hardware, controls, logs and procedures for restart etc. Operating manuals should also include back-up procedures to ensure that registers, transactions and software can be restored in case the system fails. Contingency plans with a description of the procedure for re-acquisition of equipment and restore of data and manual procedures until this is in place should also be described in the operating manual.

3.5 Description of storage of accounting material

The description of the storage of accounting material must include adequate information on the methods used for filing and storing and how the accounting material can be retrieved and printed in hardcopy.

If the enterprise keeps accounts in foreign currencies, a description must be prepared of how the records are translated into Danish Kroner.

If the accounting material is stored on a media other than paper, the description should mention how the accounting material can be retrieved and printed in hardcopy, including

- The media used
- Where and how the media are stored
- The facilities used to retrieve the material.

If passwords and/or protection of data by encryption or digital signature are used in connection with the electronic storing, the description must also include information on where passwords and decryption keys are kept, and the rules for distribution hereof.

For protection against unauthorised access, passwords and decryption keys should be kept in a sealed envelope and used only when specifically permitted.

In particular the description of systems for retrieval and printing of accounting material in hardcopy must always be kept in hardcopy.

In case the enterprise changes its system during the storage period, for example in connection with implementation of new technology, a description must always be prepared of how data from the former system can be retrieved, for example a procedure for conversion and

subsequent control, or instructions for transfer to other media. In this way, it can be documented that all accounting material for the years in question exists.

The detailed conditions for storing of accounting material appear from paragraph 5.



4. RECORDS AND DOCUMENTATION

4.1 Introduction

The Danish Bookkeeping Act describes the provisions for accounting records and the documentation of these records. The general requirements are that

- A transaction must be accurately, promptly and correctly recorded and allow reconciliation. It must also be possible to follow the recording from birth to reporting and vice versa (the transaction trail). Reference is made to paragraph 4.2
- All records must be documented in the form of vouchers, among others the requirement for identification of the control trail and coherence between the accounting records and the documentation. Reference is made to paragraph 4.3.

4.2 Recording

All transactions must be recorded with due regard to the nature and scope of the activities of the enterprise, see paragraph 2.2.

A transaction is an event or a matter of financial importance for the enterprise, such as sale, purchase, payroll, cash movements, raising or repayment of loans and accounting transactions. Non-commercial acts in the form of contribution or withdrawal of funds from the enterprise are examples of a transaction.

All transactions must be recorded. Several uniform transactions may be combined and recorded as one amount if they refer to and can be documented by another voucher, for example a till roll in a retail business. Furthermore, certain types of enterprise, which cannot record purchases or sales (sale from market squares,

retail sales from a car and the like), can create the records based on daily cash statements.

The recording must be accurate with respect to correct classification, date, account text and amount, and it must be made as soon as possible after occurrence of the events forming basis for the records. The records must be created in the order in which the transactions have been made, stating the date of the recording and accompanying vouchers (chronological order). In enterprises where the period is short between purchase and payment or sale and receipt of payment, the purchase or sales transaction may be recorded at the time of payment. If it is decided to use this method, it must be used consistently to ensure that all transactions of the same nature are recorded according to the same model.

The enterprise must reconcile its reserves regularly. Reserves include not only cash in hand and other cash equivalents, but also inventory. The enterprise can ensure that the records are up-to-date and that there are no unrecorded transactions. The frequency of the reconciliation of reserves will depend on the nature and scope of the enterprise's activities, including the nature of the reserves and the enterprise's business processes and internal controls in the area. For a small enterprise it will often be sufficient to perform reconciliation of cash in hand a couple of times a week whereas the large enterprise with many daily transactions should perform reconciliation on a daily basis. The reconciliation of inventory is made as required and often on a monthly or half-yearly basis, but always at least in connection with the preparation of the financial statements of the enterprise.

The records must be created in Danish kroner, but may also according to special rules be in Euro or other relevant currency. In the latter situation, the accounting records must contain information on the rate of exchange at the transaction date to enable translation into Danish kroner at any time.

It must be possible to trace all records from the start to the financial statements or other statements according to legislation. Likewise, it must also be possible to trace them in the reverse order.

The transaction trail must ensure that it will at any time be possible to control that all records are included in the financial statements and identify the records that form basis for the items of the financial statements. The enterprise must be able to accurately document how the individual accounts in the bookkeeping are combined in the financial statements, including the post-entries made in connection with the preparation of the financial statements.

The transaction trail is an important element of the documentation, see paragraph 4.3.

4.3 Documentation

4.3.1 Control trail

The control trail is the information documenting the correctness of the records and thus ensuring that the basis for the individual records can always be verified. The requirements to the control trail are that

- The records must include information which enables identification and obtaining of the

basis for the records, such as vouchers, any underlying vouchers and other relevant and necessary information, and

- The vouchers and documentation material are furnished with the same clear and unambiguous identification of the control trail appearing from the records, such as voucher number, account number, date, attestations, supplementary texts etc.

The definition of the control trail may be difficult but should always be based on the situation of the specific enterprise. A good approach to identifying a frame for the control trail could be an assessment of the enterprise's financial statements and/or tax and VAT accounts and the data included therein. The control trail includes typically the following documentation for creation, control and change of transactions and change of basic data and the data processing:

- External and internal vouchers with classification, attestation and other control measures
- Reconciliation of accounts items etc., such as cash in hand
- Chart of accounts and journal of changes
- Entry lists and bookkeeping journals showing the vouchers recorded and how they are entered
- Basic data and changes to these data, with indication of who made the changes, the scope of the changes, and the date
- Routines and internal controls and any descriptions of systems
- Notes from meetings, notes from telephone conversations etc.
- Agreements between the enterprise and suppliers/customers.

All material included in the control trail must be available throughout the storage period of five years.

4.3.2 Vouchers

All records must be documented by vouchers.

A voucher is any necessary documentation of the transactions recorded in the bookkeeping. The documentation should among others ensure that the enterprise as well as the public authorities and the auditors can check the records, and that they are unambiguous, correct and in agreement with the classification instructions.

A voucher may be external as well as internal. An external voucher is a voucher which is based on documentation from entities other than the enterprise whereas an internal voucher contains information from the enterprise itself. An external voucher is generally considered a better proof than an internal voucher and should be used as far as possible.

Examples of external vouchers are invoices, delivery notes, agreements, contracts, vouchers for payments made and payments received and the like. Post-entries at year-end etc., reclassifications, work sheets, inventory statements and the like are internal vouchers, just like documentation for automatically generated entries. This documentation may also be in the form of a systems description.

A voucher must contain all information necessary to identify the above mentioned control

trail, including a clear indication of the transaction date and amount.

Other legislation may require additional information. It is, for example, a requirement according to the Danish VAT Act that the company's CVR number (business registration number) is stated on sales invoices. Internal reclassification vouchers must include a reference to the first recording, an explanation of the reclassification and approval hereof.

The storing of the vouchers may be made on any type of media, such as paper or electronic media.

4.3.3 Electronic data interchange

Electronic data interchange or EDI may also form basis for recording of transactions. Placing of orders or an invoice sent in a standard format agreed by the parties, including e-invoices, are such examples.

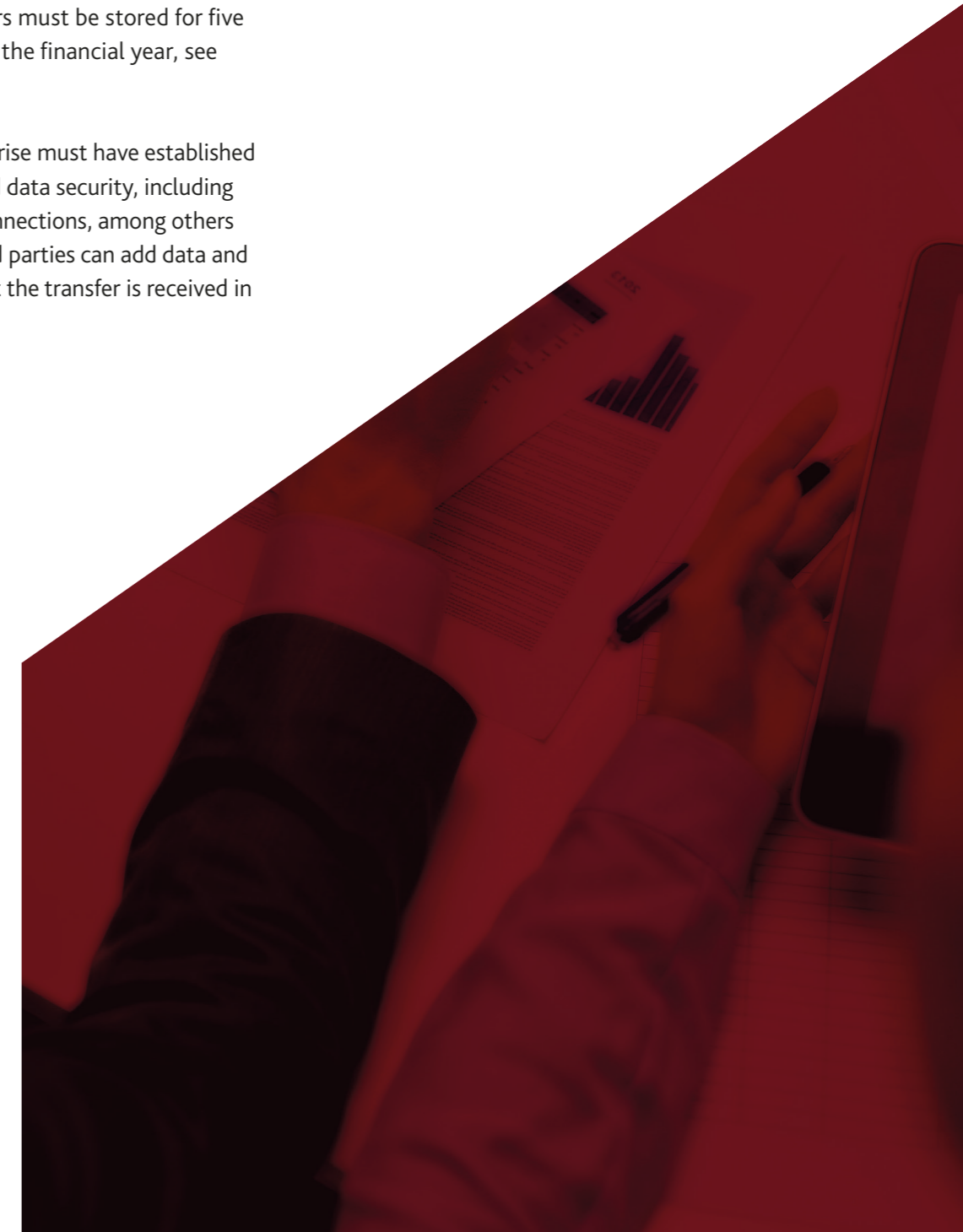
A bookkeeping voucher is generated on the basis of the data transfer and may be stored in paper form or electronically.

As documentation for the specific electronically transferred data, they must always be stored in their original form, ie in the specific form they were received, and it must be possible to print these in hardcopy, possibly by a decryption key. It must be possible to trace the voucher back by references thereto. It must also be possible to document the time of the specific transfer in the form of a log of data received and a chron-

ological log. Finally, the interchange agreement between the enterprise and its customers and/or suppliers is included in the documentation. In other words, a transaction trail and a control trail must be created.

The general storage rules apply also to electronically transferred data which means that the individual transfers must be stored for five years after the end of the financial year, see paragraph 5.

To use EDI, the enterprise must have established adequate systems and data security, including encryption of data connections, among others to ensure that no third parties can add data and make records and that the transfer is received in the correct form.



5. STORING OF ACCOUNTING RECORDS

5.1 Introduction

The provisions of the Danish Bookkeeping Act for storing of accounting records have a function not only in relation to the tax assessment, control by authorities and audit, but also a commercial interest for the enterprise itself as documentation and proof of the transactions made.

The accounting records, described in more detail in 5.2, are to be stored for a defined period (paragraph 5.3) in a proper manner in order that nothing is lost or distorted in case of theft, fire and other intentional or unintentional destruction or removal. It must be possible to unambiguously and separately retrieve the accounting records throughout the storage period, notwithstanding the storage method, see paragraph 5.4.

The accounting records must be stored in such a manner that it will be available to the public authorities in Denmark without any difficulties. Accounting records in paper form must as a main rule be stored in Denmark whereas accounting records in electronic form may also be stored abroad, see paragraph 5.5.

The management of the enterprise is responsible for the storage throughout the period, and management must regularly check that the storage continues to be proper and that the accounting records can be retrieved within reasonable time. Special rules for storage will apply in connection with change of management and discontinuation of activities, see paragraph 5.6.

5.2 Accounting records

Accounting records are:

- 1) Records, including the transaction trail (paragraph 4.2)
- 2) Descriptions of the bookkeeping system, including the recording of transactions and storing of accounting records. Agreements for electronic data interchange, made between the enterprise and its customers and/or suppliers, are also included (paragraph 3)
- 3) External and internal vouchers and other documentation of the transactions recorded (paragraph 4.3)
- 4) Other information required for the control trail (paragraph 4.3)
- 5) Financial statements required to be prepared according to legislation, including a management's review
- 6) Audit reports, if any.

5.3 Storage period

The accounting records must be stored for five years from the end of the financial year that the accounting records relate to. Thus, the accounting records for, for example, the financial year 0 must be stored up to and including year 5. The accounting records for a non-calendar financial year from 1 July in year 0 to 30 June in year 1 must be stored up to and including 30 June in year 6.

It will be sufficient for retail businesses to store till rolls and similar internal vouchers for recordings of sale for one year from the date of signing the financial statements, namely the date when the enterprise's management has signed the financial statements. Other legislation may prescribe storage for a longer period. For example, the tax authorities require storage for a period of five years, according to the Danish VAT Act, unless a separate permission has been obtained for storage for one year.





Other legislation may require storage of accounting records or parts hereof for a period that is longer than the five-year period prescribed by the Danish Bookkeeping Act. It will, for example, be necessary to keep documentation regarding property investments for up to ten years in order to be able to calculate the liability relating to recapture of input VAT in connection with a prospective sale of the property.

5.4 Storage method

The Danish Bookkeeping Act does not prescribe any specific type of media for storing of the accounting records. The accounting records should always be appropriately stored. This places certain demands as regards quality on both the physical place of storage and the accounting records. For example, storing of physical vouchers in a damp basement will not be appropriate.

The enterprise may freely elect to store the accounting records in paper form or in electronic form, for example on a server, external harddisk or USB key. The description of the storage of the accounting records must always be in the form of a hardcopy (paper) see paragraph 3.5.

If the enterprise chooses to store its accounting records in electronic form, it will be required, according to generally accepted bookkeeping practice, to implement certain internal control measures to secure that

- All information shown in the original accounting records is transferred to the media before the original records are shredded
- The media are checked with respect to readability, errors or omissions before the original records are shredded

- The media are stored in a proper manner to secure readability until the end of the storage period, and
- Back-up is taken to the extent required and the backup copies are placed so as to avoid destruction, theft etc. of them together with the original records.

When the enterprise acquires or changes the equipment required for restoring of the accounting records in their original form, the accounting records must be either transferred to the new system, transferred to another electronic media or printed on paper. The procedure will ensure that accounting records from an earlier system can always be retrieved.

When using electronic storing the enterprise must also ensure that the accounting records within a reasonable time and without processing, calculation or adjustment can be printed in hardcopy in a readable format. This requirement does not prevent storage of accounting records in encrypted form or use of a relations database system if only data are locked in the form they had at the time of recording. For example, reprint of an invoice copy with updated customer address will be allowed whereas quantity, amounts and discounts etc. must be identical with the original invoice.

5.5 Storing in Denmark or abroad

Accounting records in electronic form may be stored in Denmark or abroad if the enterprise ensures

- that the accounting records are stored in accordance with the Danish Bookkeeping Act
- that the accounting records can be retrieved at any time and can be accessed in Denmark

- that any descriptions of systems used and any necessary passwords etc. are kept in Denmark, and
- that the accounting records can be printed in hardcopy in a readable format in a structured and clear, unambiguous and understandable manner, or made available in xml format, csv format or other acceptable file format.

If the accounting records are not stored in electronic form, they must be stored in paper form in Denmark.

Accounting records in paper form may also be stored in Finland, Iceland, Norway or Sweden if the enterprise ensures that the accounting records are stored in accordance with the Danish Bookkeeping Act, and that the accounting records can be retrieved at any time and can be accessed in Denmark.

Storing of accounting records in paper form in other foreign countries is allowed only for the current and the previous month and only if the enterprise ensures that the accounting records are stored in accordance with the Danish Bookkeeping Act, that the accounting records can be retrieved at any time, and that they can be accessed in Denmark.

Internal and external vouchers for the enterprise's foreign activities may be stored in the relevant foreign country throughout the storage period, see paragraph 5.3. Other accounting records may be stored in the relevant foreign country for the current and the previous three months if the enterprise ensures that the accounting records are stored in accordance with the Danish Bookkeeping Act, that the accounting

records can be retrieved at any time, and that it can be accessed in Denmark.

5.6 Storing in connection with change of management and discontinuation of activities

When a public limited or private limited company is dissolved, the most recent management (board of executives and/or board of directors) must ensure that the accounting records continue to be stored in accordance with the Danish Bookkeeping Act.

If the management of a public limited or private limited company etc. resigns, the resigning management is responsible for storing the accounting records until the date of resignation, and it must also pass on the accounting records to the new management. There are no requirements as regards the form or documentation of the transfer, however, it is recommended to be made in writing.

As regards one-man enterprises or partnerships, which are either sold or discontinued, the owner/partners have a duty to store the accounting records of the sold or discontinued activities in accordance with the Danish Bookkeeping Act. In case of death, the Probate Court or the beneficiary heirs will take over the duty to store the records.

6. ACCESS OF PUBLIC AUTHORITIES TO ACCOUNTING RECORDS

The Danish Bookkeeping Act does not grant the public authorities a separate right to access the accounting records. The access right must be authorised by other legislation or court order, for example the tax and excise duty legislation, and must be used only in accordance with the provisions of the Public Administration Act, including reasons, reference to legislation etc.

The enterprise has a duty to assist the authorities free of charge and as promptly as possible. The enterprise must make available everything necessary for retrieving and reading the accounting records, such as the enterprise's ERP system, documentation and vouchers, descriptions and the like. Encryption keys and software as well as special passwords must also be made available to the authorities.

The public authorities may demand to receive the required accounting records in hardcopy, ie on paper. The authorities may also demand to receive accounting records in electronic form or submission of the records in a digitally acceptable file format.

If the accounting records are available in a foreign currency or in a language different from Danish or English, the authorities may request translation of all records into Danish kroner and translation of the accounting records into Danish or English. The latter does not apply to external vouchers.

If the accounting records are stored in paper form or in electronic form with a third party, the authorities may also demand receipt or submission of the accounting records. Storing with a third party may for example be relevant in the cases where the enterprise has outsourced its bookkeeping or uses a hosting solution.



7. PENALTY PROVISIONS

The management of the enterprise (the owner or a company's board of executives and board of directors etc.) is responsible for complying with the Danish Bookkeeping Act. Employee-elected board members in public limited and private limited companies may because of their status be held liable equal to the other management. However, board members are to expect that any violations are emphasised by the auditors in their audit opinion or audit report.

Employees are not directly responsible according to the Danish Bookkeeping Act, however, the individual physically responsible for the bookkeeping is of course responsible for complying with the rules of the Danish Bookkeeping Act and for performing the bookkeeping in accordance with the chart of accounts and classification instructions.

The following is subject to punishment by fine:

- Non-compliance with generally accepted bookkeeping practice and failure to ensure that all transactions are recorded, including transaction and control trails, and that all accounting records are stored in accordance with the quality requirements
- Non-compliance with the rules for place of storage
- Non-compliance with the storage duty in connection with change of management or discontinuation of activities
- Non-compliance with the duty to prepare a systems description
- Non-compliance with the duty to assist the public authorities.

The limitation period in respect of criminal liability is five years according to the Danish Bookkeeping Act. In case of more punishable offences, the period will typically run from the date of the most recent punishable offence.

Other severe offences regarding bookkeeping and financial reporting, for example where the offence is an attempt to disguise financial crimes, will be punished in accordance with the Criminal Code. The maximum penalty for intentional acts is fine, simple detention or imprisonment for up to one year. The penalty is fine or mitigated imprisonment for gross negligence.

Furthermore, a liability for damages will apply if, as a result of the incorrect bookkeeping, others may suffer losses, for example if lenders make transactions based on misleading accounts. This is not regulated in the Danish Bookkeeping Act but follows from the general law of damages. The damage will amount to the loss suffered.

8. OTHER PROVISIONS

An enterprise is, in addition to the Danish Bookkeeping Act, subject to a number of other provisions, for example the preparation and presentation of financial statements must be made in accordance with separate legislation.

The tax authorities have, pursuant to tax legislation, issued an executive order on minimum requirements stipulating a number of tax requirements to the financial statements, such as submission of business taxation scheme, VAT reconciliation and supplementary specifications of items in the income statement and balance sheet. If the financial statements do not meet these requirements, the necessary tax corrections and specifications must be prepared for the purpose of submitting the tax return.

When planning the bookkeeping, VAT registered enterprises must comply with the accounting requirements of the Danish VAT Act, including keeping of special VAT accounts.

ATTACHMENT A: CHECKLIST TO THE DANISH BOOKKEEPING ACT

A	Description of the bookkeeping system	Yes	No	Comments	Ref. Guidelines
1	The enterprise uses a standard ERP system without any significant modifications? If Yes: Go to B If No: Complete items A2-A6				3.1
2	A description has been prepared of the ERP system, modified to the nature and scope of the activities?				3.2
3	An organisational plan, including an overview of the placing and responsibilities of the employees, is included in the description?				3.3
4	Transaction and control trails are described for each type of record and documentation, including:				3.4
	• How the specific data are collected and created?				3.4
	• How they are treated, including classification instructions?				3.4.2
	• How the data can be followed from the time they arise and until reporting and vice versa?				3.4
	• The procedures applied at year-end?				3.4
5	A description of the IT system is prepared, including:				3.4.3
	• Distribution of responsibilities and business processes within IT?				3.4.3
	• A verbal description of the purpose and general functions of the IT system etc.?				3.4.3
	• Updated user manuals?				3.4.3
	• Updated operating manuals, including authorisation system and security requirements?				3.4.3
	• Updated operating manuals, including back-up and disaster recovery plan				3.4.3
	• An overview of automatically generated records?				3.4.1
	• A description of electronic data interchange (EDI), including the agreement and the technical descriptions?				3.4

A	Description of the bookkeeping system (continued)	Yes	No	Comments	Ref. Guidelines
6	The storage of the accounting records is described, including the records filed and from where they can be retrieved?				3.5
7	If the accounting records are stored on media other than paper, does the description include: <ul style="list-style-type: none"> • The filing method? • A paper-based description of how the accounting records can be retrieved and printed in hardcopy? • Information on where any passwords and decryption keys are stored and the rules for handing these out? 				3.5

B	Records	Yes	No	Comments	Ref. Guidelines
1	All transactions are recorded?				4.2
2	The recording is accurate with respect to: <ul style="list-style-type: none"> • Date? • Classification? • Amount? • Sequence? 				4.2
3	The recording is made promptly after the transaction?				4.2
4	The recording is in Danish kroner? If the recording is in Euro or other relevant currency, does the recording include information on the exchange rate on the transaction date?				4.2
5	Reserves, including cash in hand and cash equivalents, are reconciled regularly?				4.2
6	All records can be followed from birth to financial statements etc. and vice versa (transaction trail)?				4.2

C Documentation		Yes	No	Comments	Ref. Guidelines
1	All records can be documented by a basic voucher?				4.3.1
2	There is an unambiguous reference between accounting records and vouchers and documentation?				4.3.1
3	External vouchers are used rather than internal vouchers?				4.3.2
4	Purchase and sales vouchers include information on: <ul style="list-style-type: none"> Name and address and CVR no. of seller/purchaser? Nature, scope and amount of the supply or service? Date of issue? Invoice number and other identification? 				4.3.2
5	Payment vouchers include information on: <ul style="list-style-type: none"> Amount? Date of issue? Internal approvals? Information on purpose of payment, including recipient? Consecutive numbering? 				4.3.2
6	Vouchers for internal transfers include information on <ul style="list-style-type: none"> Amount? Date of recording? Internal approvals? Classification? Reason for the transfer? Consecutive numbering? 				4.3.2
7	If electronically interchanged data (EDI) are used, the following is fulfilled:				4.3.3
	• Has an agreement been made by the parties?				4.3.3
	• Are the electronically interchanged data stored in the specific form in which they were received?				4.3.3
	• Can the electronically interchanged data be printed in hardcopy?				4.3.3
	• Can the time of the placing be documented in the form of a log of data received?				4.3.3
• Have adequate systems and data security been set up, including digital signature and encryption?					4.3.3

D Storing of accounting records		Yes	No	Comments	Ref. Guidelines
1	The accounting records are properly stored to avoid loss, distortion or destruction?				5.1
2	The accounting records include: <ul style="list-style-type: none"> Recordings? A description of the bookkeeping system? External and internal vouchers? Other relevant information? Financial statements, prepared according to legislation? Audit reports? 				5.2
3	The accounting records are stored for five years from the end of the relevant financial year?				5.3
4	Till rolls are stored in accordance with the special rule for storing for one year, and permission has been obtained from other authorities?				5.3
5	If electronic media and similar media are used, has it been ensured: <ul style="list-style-type: none"> That all information appearing on the original accounting records has been transferred to the media? That the media have been checked with respect to readability, errors and omissions? That the media are properly stored and the readability secured until the end of the storage period? That backups are taken to the extent required and that they are placed in a manner to avoid destruction, theft etc. together with the original material? That procedures are in place to ensure that the accounting records can be printed in their original form or transferred to other media when the enterprise disposes of or modifies the equipment necessary to restore the accounting records in their original form? 				5.4
	The accounting records can within reasonable time and without processing, calculation or modification be printed in hardcopy?				5.4
	There are descriptions of the accounting records storage in hardcopy?				

D Storing of accounting records (continued)		Yes	No	Comments	Ref. Guidelines
6	The accounting records are stored in electronic form in Denmark or abroad? Have the following conditions been met: <ul style="list-style-type: none"> The accounting records are stored in accordance with the Danish Bookkeeping Act? The accounting records can be retrieved at any time and accessed in Denmark? Descriptions of systems used and passwords are stored in Denmark? The accounting records are printed in hardcopy or are made available in an accepted file format? 				5.5
7	The accounting records are stored in paper form in Denmark? Have the following conditions been met: <ul style="list-style-type: none"> Accounting records are stored in accordance with the Danish Bookkeeping Act? The accounting records can be retrieved at any time and accessed in Denmark? 				5.5
8	The accounting records are stored in paper form in Finland, Iceland, Norway or Sweden? Have the following conditions been met: <ul style="list-style-type: none"> Accounting records are stored in accordance with the Danish Bookkeeping Act? The accounting records can be retrieved at any time and accessed in Denmark? 				5.5
9	The accounting records are stored in paper form in other countries? Have the following conditions been met: <ul style="list-style-type: none"> The accounting records for only the current and the previous month are stored abroad? Accounting records are stored in accordance with the Danish Bookkeeping Act? The accounting records can be retrieved at any time and accessed in Denmark? 				5.5

D Storing of accounting records (continued)		Yes	No	Comments	Ref. Guidelines
10	The accounting records for activities abroad are stored in the relevant country? Have the following conditions been met: <ul style="list-style-type: none"> Internal and external vouchers are stored in the relevant country throughout the storage period? Other accounting records are stored in the relevant foreign country for the current month and the preceding three months? Accounting records are stored in accordance with the Danish Bookkeeping Act? The accounting records can be retrieved at any time and accessed in Denmark? 				5.5
11	The necessary procedures have been implemented for change of management or discontinuation of activities?				5.6

E Conclusion		Yes	No	Comments	Ref. Guidelines
	Transaction trail The bookkeeping has been planned to the effect that all records can be followed to the financial statements and vice versa?				2.1 4.2
	Control trail The records and the accompanying vouchers and documentation include the information required to document the correctness of the records?				2.1 4.3
	Summing up A description of the bookkeeping system, see checklist A , is available? The requirements for records have been met, see checklist B ? The requirements for documentation have been met, see checklist C ? The requirements for storing of the accounting records have been met, see checklist D ?				

CONTACT



PER SLOTH

Partner, Head of Risk Assurance

Tel.: +45 39 15 52 06

psc@bdo.dk

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