

Nedskrivning av fartyg

En studie av hur IAS 36 har tillämpats i europeiska rederier

Anna Karin Pettersson

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GÖTEBORGS UNIVERSITET
HANDELSHÖGSKOLAN

University of Gothenburg
School of Business Economics and Law
Dept. of Business Administration
P.O. Box 610,
SE-405 30 Göteborg, Sweden

Author: Anna Karin Pettersson
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Impairment of Ships

A study of how IAS 36 has been applied in European shipping companies

International Financial Reporting Standards (IFRS) are principle-based accounting standards that rely on management judgment and the use of private information. For this reason, it cannot be assumed that the harmonization of accounting standards will result in consistent application in practice. The IAS 36 *Impairment of Assets* is a standard that requires considerable judgment when applied. This dissertation studies how IAS 36 is applied, with a focus on listed European shipping companies and the impairment of ships.

The study investigates which factors influence decisions in order to recognize impairment losses in practice and what information is provided in annual report disclosures regarding impairment. To assess the extent of impairment losses, a study of the annual reports of all listed shipping companies in the EU has been conducted for the years 2007 through 2010. To obtain more in-depth information at the company level, interviews have been conducted at ten shipping companies from six different countries.

The results demonstrate that there is a general reluctance to recognize impairment losses, as they are seen as a negative signal by the market and create unwanted volatility in financial statements. Therefore, it can be assumed that impairment losses are delayed in relation to economic substance. There is also the risk that impairment charges will be excessive when they are finally recognized, with the aim of avoiding recurring charges. The study shows that companies that are exposed to operational risks and volatility and that have ships that are easy to value recognize excess depreciation charges in order to avoid impairment losses. The fact that impairment losses are recognized can be explained by market pressure as well as opportunistic factors. If the market knows that an asset is impaired, a company may be forced to recognize an impairment loss. Companies can also exploit the market's expectations by recognizing impairment losses, and thereby create better prospects for the future.

Regarding the information content of disclosures, results show that, based on the information disclosed, it is difficult for users to assess estimation uncertainty in the valuation. Moreover, disclosures are mainly adapted to national users. If many shipping companies are listed on a specific national stock market, the information content of disclosures from companies in that country is generally greater.

One contribution of the study is that, in spite of the issues raised above, principle-based accounting is found to work in some sense, at least as regards the shipping industry.

Key words: accounting choice, accounting practice, consistent application, disclosure practice, harmonization, IFRS, impairment, shipping industry

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