Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2009:24

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

Re: Exposure Draft ED/2009/11 Improvements to IFRSs

We appreciate the opportunity to respond to the International Accounting Standard Board's Exposure Draft Improvements to IFRSs. This letter represents the views of the Swedish Financial Reporting Board.

Our main concern is concerning the criteria for including an amendment in the annual improvement process. Our opinion is that the proposed amendments in the exposure draft vary from obvious clarifications to fundamental changes of accounting principles. We do not believe that the latter are issues that should be included in an annual improvement project. We think it is important that the IASB should define and have a clear rational for when an issue should be included in the annual improvement process. From our point of view only issues that would improve or clarify accounting and are believed to have a strong support among constituents and IASB members should be included in this process.

Below are our detailed comments regarding some of the amendments.

Detailed comments

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The current wording in IFRS 5 concerning loss of control of subsidiary works in practice due to the fact that any retained investment is revalued to fair value. The fair value of the retained investment is also the cost on initial recognition if it is classified as a joint venture or associate.

The proposed wording states that IFRS 5 should be applied when there is a loss of joint control or a loss of significant influence. IFRS 5 would then for instance apply to a situation where a joint venture becomes an associate as a result of the sale of a minor interest. We wonder if this is the intention of the IASB? We would propose that IFRS 5 is only applicable in those instances when loss of joint control and significant influence leads to a retained interest which is accounted for in accordance with IAS 39. If not we believe that the IASB should give guidance concerning the accounting for the situation described above.

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IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The proposed amendment uses terminology which has not yet been included in the conceptual framework as the final chapter has not yet been published. Therefore, we think that it is premature with an amendment of IAS 8 before the final chapter of phase A of the conceptual framework has been completed.

IAS 27 Consolidated and Separate Financial Statements

We do not support the proposal that shares in subsidiaries which are recognised at fair value, should be recognised at fair value through profit and loss. The proposed amendments impose restrictions on IAS 39 as these investments are likely to be classified as AFS investments.

Furthermore we are not in favour of the proposal that the provisions of IAS 39 should be used when testing and measuring impairment in investments in subsidiaries, associates and joint ventures. Applying IAS 39 would require that cost of the investment is compared only to the fair value of the investment. However, in the current situation we have seen that the fair value of investments can be lower than value in use for the underlying businesses. As the nature of these investments often differ from regular financial investments it would be preferable that entity specific measures could be used rather than only market based input. Therefore, we believe that IAS 36 should be used for these investments in the separate financial statements.

IFRS 7 Financial Instruments: Disclosures

We do not think that the proposed disclosure requirements regarding maximum credit risk is an improvement. Instead, in our view it is more helpful for the users of the information if both the carrying amount as well as the difference between the carrying amount and the maximum exposure is displayed. The reason for that is that we believe that it is important to clearly explain which exposures that are part of the disclosure; else it will be impossible to understand the information, given.

Therefore, we believe that the approach should be that entities should disclose the carrying amount of those instruments which are exposed to credit risk and what the maximum exposure is, in relation to their carrying amount.

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IAS 40 Investment properties

We are not in favour of the proposed amendment. We believe that this issue is too broad to be addressed in an annual improvement to IFRSs. We are of the view that reclassification of assets should not be restricted in a standard, as this is not a principle based approach.

Our proposal is that the IASB undertakes a project to conclude on a principle based answer to when reclassification is justified. Our approach to the issue is that classification of assets should be consistent with the business model of the entity. If the business model alters, or the company has a mixed model, then reclassification is natural.

We would also like to draw the IASB's intention to the previous improvements to IFRSs of IAS 16, where the IASB went forward with the requirement to reclassify fixed assets to inventories if the entity had a mixed business model where they both sold the assets in the ordinary course of business and leased them out as well. We believe that the clarification in that instance was consistent with our overall view concerning classification.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, November 25, 2009

Kind regards,

Anders Ullberg

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Chairman

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