

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UK

Cc: EFRAG

Oslo, November 24<sup>th</sup>, 2009

Dear Sir/Madam

## **ED/2009/11: Improvements to IFRSs**

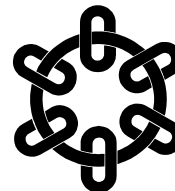
Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the Exposure Draft on *Improvements to IFRSs*.

In summary, we support the Board's objective of the annual improvement project of dealing with non-urgent but necessary amendments to IFRSs, and we are mainly supportive of those issues addressed in ED/2009/11 *Improvements to IFRSs*. However, we would like to draw to your attention some issues we do not find appropriate to address in the annual improvement project.

Firstly, we disagree with the proposed amendment to paragraph 38 of IAS 27, which will eliminate the possibility used by entities today to apply the available for sale category in IAS 39. We are greatly concerned with the lack of reasoning and explanation given by IASB in the ED and Basis for Conclusions about this important change in IAS 27. Therefore we would urge the Board to provide constituents with more explanations to the proposed amendment.

Secondly, we disagree with the proposed new paragraph 33A of IFRS 7 as we find the paragraph redundant. We are of the opinion that the IASB, by including such a proposed paragraph, would to some extent undermine the current understanding and application of IFRSs. Hence, we do not support this issue being addressed in the annual improvements project.

We do not object with enhanced disclosure requirements of interim financial statements being addressed in annual improvements. However, we disagree with the proposed amendments to IAS 34 which emphasizes specific disclosure requirements. We are concerned that these amendments will dilute the premise underlying disclosure requirements in the current version of IAS 34. Although all disclosures should be based on significance, to include more detailed disclosure requirements in interim financial statements may implicitly increase the disclosures given, since entities tend to disclose the required information even if it is not significant.

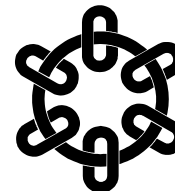


Our detailed comments to the questions in the order suggested by you are set out in the appendix to this letter.

Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully,  
**Norsk RegnskapsStiftelse**

Erlend Kvaal  
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



## **Appendix - Detailed comments on amendments proposed in ED 2009/11**

### **General questions (applicable to all proposed amendments)**

---

#### **Question 1**

*Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

#### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

### **IFRS 1 *First-time Adoption of International Financial Reporting Standards***

#### **Issue 1: Accounting policy changes in the year of adoption**

We agree with the proposed amendments to paragraphs 27 and 32 of IFRS 1. We also agree with the clarifications in IFRS 1 made by adding paragraphs 27A and 39B.

Finally, we also support the proposed transition provisions and effective date.

#### **Issue 2: Revaluation basis as deemed cost**

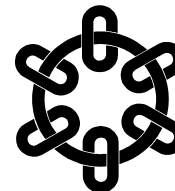
We do not agree with the proposed broadening of the scope of the revaluation basis as deemed cost exemption in paragraph D8. We believe broadening the scope of exemption to include events occurring after transition date but during periods covered by the first IFRS financial statements, will arrange for more arbitrarily accounting. Thus, we are concerned that the proposed amendment will reduce comparability of financial statements. Defining transition date as latest date to apply the exemption will support the comparability, and the current requirements does that.

We support the proposed transition provisions and effective date.

### **IFRS 3 (2008) *Business Combinations***

#### **Issue 3: Transition requirements for consequential amendments of IFRS 3 to IFRS 7, IAS 32 and IAS 39 for contingent consideration from a business combination that occurred before the effective date of the revised standard.**

We agree with the proposed amendments regarding transition requirements for contingent considerations from a business combination that occurred before the effective date of the revised IFRS. We consider these amendments to be a clarification of the existing requirements, thus not effectively for a limited period scoping existing contingent considerations in to the scope of IAS 32, IAS 39 and IFRS 7, but clarifying for those that, after applying IFRS 3 revised, might have interpreted the scope of IAS 32, IAS 39 and IFRS 7 differently that as of 1 July 2010 such an alternative interpretation is no longer possible.



**Issue 4:           Measuring non-controlling interests**

We share the Board's concern of measuring no value to certain components of equity at the date of acquisition of a business combination under the revised IFRS 3. Hence, we agree with the proposed amendment in paragraph 19 of IFRS 3 that clarifies that the choice of measuring NCI either at its acquisition date fair value or at the NCI's proportionate share of the acquiree's identifiable net assets, should only apply to components of NCI that are present ownership instruments. Finally, we support the proposed effective date and transitional provisions.

**Issue 5:           Un-replaced and voluntarily replaced share-based payment awards**

We agree that a clarification is required in paragraph B56 of the application guidance to IFRS 3 in order to prevent divergent accounting treatment. We support the Boards proposal to require the acquirer to apply paragraphs B57-B65 to all share based payment transactions that are part of a business combination. We also agree with the proposed effective date and transitional provisions.

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

**Issue 6:           Application of IFRS 5 in loss of significant influence over an associate or a jointly controlled entity**

We agree with the Board that a clarification is needed on this issue, and we support the proposed amendments. Moreover, we agree with the proposed effective date and transitional provisions.

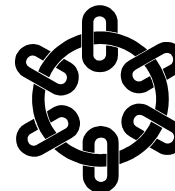
***IFRS 7 Financial Instruments: Disclosures – Financial Instruments:***  
**Disclosures**

**Issue 7:           Disclosures about the nature and extent of risks arising from financial instruments**

We disagree with the proposed new paragraph 33A as we find the paragraph redundant. We are of the opinion that the IASB, by including such a proposed paragraph, would to some extent undermine the current understanding and application of IFRSs. The "clarification" in 33A could suggest that other requirements in IFRS 7 (and to some extent other disclosure requirements in other IFRSs) are to be interpreted in isolation and not to be considered together as a totality. We do not see a need to further specify the relations between qualitative and quantitative risk disclosures by including the proposed paragraph 33A. Further we find the clarification principle driving the inclusion of paragraph 33A to be in conflict with the argument for deleting the reference to materiality in paragraph 34(b).

We agree with the other proposed amendments to IFRS 7.

We agree with the proposed transition provisions for the proposed amendments to IFRS 7.



## ***IAS 1 Presentation of Financial Statements***

### **Issue 8: Clarification of statement of changes in equity**

We agree that this issue requires a clarification, and we support the proposed amendments to paragraphs 106 and 107 of IAS 1. We also agree with the transition provisions and effective date proposed for this issue.

## ***IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors***

### **Issue 9: Update for conceptual framework terminology changes**

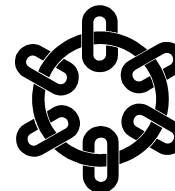
On a general basis, we support any proposals to reduce the conflicts between the standards and interpretations of the IASB and the IFRIC and the IASB Framework. If finally adopted in the Framework, we would thus in principle support the proposal to adjust the terminology in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to be consistent with the Framework terminology. However, as explained in our response letter to the Exposure Draft on An Improved Conceptual Framework for Financial Reporting in September 2008, we strongly disagree with the proposal to replace reliability with faithful representation, and thus not consider verification a necessary characteristic of information included in financial reports.

The terminology the IASB suggests to adopt in IAS 8, has not yet been adopted in the IASB Framework, but we assume, even though not clarified by the Board, that the proposal is contingent on the final wording and terminology in the Framework. Thus, if revised IASB Framework is completed and made effective as of 1. January 2011, we agree with the proposed effective date of the amendment. We realise that for this to happen, the Board has to adopt the stepwise process suggested in the Exposure Draft on An Improved Conceptual Framework for Financial Reporting. As explained in our response letter to the exposure draft in September 2008, we find this approach in conflict with the normative and deductive form of the Framework, and therefore we discouraged, and still discourage, the Board's reliance on the stepwise process.

## ***IAS 27 Consolidated and Separate Financial Statements***

### **Issue 10: Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor**

We disagree with the proposed amendment of IAS 27.38. We support the reason presented by the Board to amend IAS 27.38 and to introduce IAS 27.38D that is to clarify that in its separate financial statements the investor shall apply the provisions of IAS 39 Financial Instruments: Recognition and Measurement to test its investments in subsidiaries, jointly controlled entities and associates for impairment. However we strongly disagree with the presented wording of IAS 27.38 that eliminating the possibility used by entities today to apply the available for sale category in IAS 39. We do not see that the Board has presented any convincing arguments for this change.



**Issue 11: Transition requirements for consequential amendments of IAS 27 to IAS 21, IAS 28 and IAS 31**

The reading of IAS 27.38 and IAS 27.45D to users of IFRS is challenging as they have already been amended as a consequence of IFRS 9. The proposed amendments in the annual improvement project has a proposed effective date for annual periods beginning on or after 1 January 2011, thus having a predefined life of 2 years or less. We do not see the benefit of forcing entities that currently accounts for investments in subsidiaries, jointly controlled entities and associates at fair value with changes in fair value going through comprehensive income to change this accounting for two years before it can be reintroduced when the entity starts applying IFRS 9.

## **IAS 28 *Investments in Associates***

**Issue 12: Partial use of fair value for measurement of associates**

We agree with the proposed amendment of IAS 28 which clarifies that different measurement bases can be applied to portions of an investment in an associate when part of the investment is designated at initial recognition as at fair value through profit or loss in accordance with the scope exemption in paragraph 1 of IAS 28. We support the view of accounting treatment for different portions of the investment to be consistent with the business purposes of holding those investments.

In the current IAS 28 investments in associates held by venture capital organizations, mutual funds etc are not within the scope of the Standard, and we agree that it is undesirable to apply the equity method on group level for investments held by subsidiaries that are capital organizations, mutual funds etc. We believe the proposed amendment is a necessary clarification that will prevent accounting mismatch in measurement of investment in associates.

We also agree with the proposed effective date and transitional provisions.

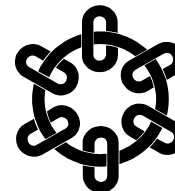
## **IAS 34 *Interim Financial Reporting***

**Issue 13: Significant events and transactions**

We disagree with the proposed amendment to IAS 34 to place more emphasis on specific disclosures. We generally support the underlying principles in current IAS 34, and we are not convinced that specific disclosure requirements to interim financial statements would provide more useful information to users. The current IAS 34 sets out disclosure requirements triggered by events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. We are skeptical to a development that will increase disclosures given in interim financial statements to a level which will bury the significant events and transactions in the interim period within other disclosures which to a large extent also is given in the latest annual financial statements.

In particular we do not welcome adding the following wording into paragraph 15B:

- (b). *“financial assets”*
- (h). *“significant changes in the business or economic circumstances that affect the fair value of the entity’s financial assets and financial liabilities, notwithstanding whether these assets of liabilities are recognised at fair value or amortised cost;”*
- (k). *“significant transfers between levels of the fair value hierarchy in the measurement of the fair value of financial instruments;”*



We are concerned that such detailed requirements would implicitly increase the disclosures given since entities tend to disclose the required information even if it is not significant. Hence, we are not convinced that the proposed amendment would lead to more useful information being made available to investors.

We agree with the proposed effective date and transitional provisions.

## **IAS 40 *Investment Property***

### **Issue 14: Change from fair value model to cost model**

No, we do not agree with the proposed amendment to IAS 40. We do not support a general prohibition from transferring property from IAS 40 to IAS 2.

Consistent with transfers between IAS 2 (*“inventories”*) and IAS 16 (*“property, plant and equipment”*), and between IAS 16 and IAS 40 (*“investment property”*), transfers from IAS 40 to IAS 2 should be based on the definitions of *“inventories”* (IAS 2.6) and *“investment property”* (IAS 40.5) respectively. A general prohibition from transferring property from IAS 40 to IAS 2 (as proposed), presumes that once a property is scoped under IAS 40, the same property will always be held to earn rentals and/or capital appreciation, and never for sale in the ordinary course of business (IAS 2). This also seems to be the intention behind the proposed change as indicated by the first sentence in BC2 stating that *“the Board noted that the original classification of an asset as either investment property or inventory depends on the specific fact pattern of the entity”*. We disagree with this presumption, as we believe there are circumstances where property should be transferred from IAS 40 to IAS 2, such as where a change in business model has occurred. Furthermore, we also disagree with the argument in BC2, stating that *“the Board noted that requiring investment property to remain within investment property after its initial classification is consistent with other changes of use for investment property, such as the treatment of investment property under construction and investment property that is redeveloped for continued use as investment property”*. Both examples deal with property which meet the definition of *“investment property”* (as defined in IAS 40.5), and can therefore not be used to justify forcing *“inventories”* to remain within scope of IAS 40.

We therefore suggest that the proposed new guidance in IAS 40.58A is applied to property scoped under IAS 40. However, property scoped under IAS 2, should be transferred to IAS 2. Therefore, rather than removing the possibility to transfer property from IAS 40 to IAS 2 altogether, the Board should clarify the criteria(s) for when property should be transferred from IAS 40 to IAS 2.

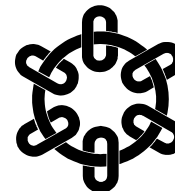
Provided the proposed change to IAS 40.57-59, the wording *“or inventories”* in IAS 40.60 confuses us, as we cannot see how IAS 40.57-59 will enable any form of transfer from investment property carried at fair value to inventories, after the proposed change.

We agree with the proposed effective date and transition, provided that the IASB decide to proceed with the amendment.

## **IFRIC 13 *Customer Loyalty Programmes***

### **Issue 15: Fair value of award credits**

We agree that a clarification is required on this issue, and that the proposed amendment provides an adequate clarification. Finally, we also support the proposed effective date and transition provisions.



## Specific questions

---

### Question 3

*The Board proposes changes to IAS 34 Interim Financial Reporting to emphasize its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft Fair Value Measurement in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 Financial Instruments: Disclosures for annual financial statements should also be required for interim financial statements.*

*Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?*

We do not agree with this amendment. Although we have no problem to see that such disclosures could be warranted in certain circumstances we are of the opinion that the underlying basis IAS 34 is built upon should be kept in the future as well. IAS 34 sets out disclosure principles that provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. This basis will be diluted if specific disclosure requirements are included. There is a tendency, although all disclosures should be based on significance, to include more and more detailed disclosure requirements in financial statements. We believe the primary users of the interim financial statements will benefit from only disclosing significant events since the last annual report and not repeat information which to a large extent also has been disclosed in the latest annual report.

Furthermore, detailed requirements would implicitly increase the disclosures given since entities tend to disclose the required information even if it is not significant. Hence, we are not convinced that the proposed amendment would lead to more useful information being made available to investors.

### Question 4

*The Board proposes changes to IAS 34 Interim Financial Reporting.*

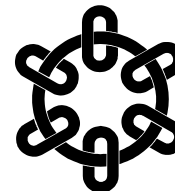
*Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?*

We do not agree that amending IAS 34 to require particular disclosures is a more effective way of ensuring users of interim financial statements are provided with useful information. As stated in our answer to question 3 we believe that the premise underlying disclosure requirements in the current version of IAS 34 should not be diluted. We are skeptical to a development that will increase disclosures given in interim financial statements to a level which will bury the significant events and transactions in the interim period within other disclosures which to a large extent also is given in the latest annual financial statements.

### Question 5

*The Board proposes to amend IAS 40 Investment Property to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*





*Do you agree that the proposed amendment should be included within Improvements to IFRSs or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.*

We agree that this is an issue that needs to be addressed, and that the issue is dealt with through the annual improvement project. However, as stated in our response to Issue 14, we disagree with IASBs solution to the issue. Rather than removing the possibility of transfer of property from IAS 40 to IAS 2, we believe the Board should clarify the criteria(s) for when property should be transferred from IAS 40 to IAS 2. However, we agree that investment property to be disposed off, and which is not transferred to IAS 2, should be accounted for in accordance with the requirements in the proposed paragraph 58A.