Norsk RegnskapsStiftelse

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

Oslo, January 10TH 2008

Dear Sir/Madam

Proposed Improvements to IFRS (annual improvements)

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the exposure draft of the proposed annual improvements. Please find our comments to your questions in the order suggested by you in the following. However, we would like to start by raising two concerns that are not covered by your questions.

Effective Date
It is somewhat unclear what is meant by an effective date with respect to several of the improvements. For instance, when it is suggested to change the wording of IAS 1 *Presentation of Financial Statements* in order to make it clear that financial assets and liabilities held for trading according to IAS 39 *Financial Instruments – Recognition and Measurement*, we find an effective date confusing. Current practice among many entities is in accordance with the suggested wording and we therefore do not believe the improvement qualifies as an amendment in the same sense as for example the proposed amendment in IAS 41 *Biological Assets* allowing for post tax discounting. We therefore think that the Board should reconsider and assess in each specific case whether the improvement qualifies as an amendment and therefore should be subject of an effective date.

Early Adoption
Early adoption is allowed if IAS 1 (Revised) is early adopted as well. We find no reason to make early adoption contingent and we therefore suggest that the Board untie the early adoption of the improvements from the early adoption of IAS 1 (Revised). Furthermore, it is unclear to us whether the Exposure Draft requires early adoption of all improvements or if one may early adopt one or some but not all improvements. We see no reason not to allow early adoption of one or some but not all improvements, and we suggest that the wording is changed to make this clear.

Question 1 - Do you agree with the Board's proposed restructuring of IFRS 1? If not, why?

We believe that IFRS 1 with this restructure has become èasier to read and more robust for updates. We agree with the proposed changes.

Question 2 - Do you agree with the proposal to add paragraph 8A to IFRS 5 to clarify that assets and liabilities of a subsidiary should be classified as held for sale if the parent has a sale plan involving loss of control of the subsidiary? If not, why?

We agree with the proposed change.

Question 3 - The Board proposes to amend paragraph IG13 of the guidance on implementing IFRS 7 *Financial Instruments: Disclosures* to resolve the potential conflict with IAS 1. Do you agree with the proposal? If not, why?

As the current wording in IFRS 7.IG13 has been seen to be in conflict with IAS 1, we support the proposed amendment to IFRS 7.IG13.

Question 4 - Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRSs? If not, why?

We disagree. If an entity complies with IFRS it should disclose that fact (IAS 1.16). If an entity does not compliy with IFRS, that entity is not presenting IFRS financial statements. IAS 1 should not include regulations of entities not complying with IFRS.

However if this new requirement is to be introduced then there need to be a clear description of exactly what kind of references to IFRS that will trigger the disclosure requirements in the proposed IAS 1.16A.

Question 5 - Do you agree with the proposal to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current? If not, why?

We agree with the proposal to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current. However we see a contradiction in the explanation given in BC6 and the rationale for classification as debt or equity in IAS 32.

Question 6 - Do you agree with the proposal to amend the examples in paragraphs 68 and 71 of IAS 1 to remove the potential implication that financial assets and financial liabilities that are classified as held for trading in accordance with IAS 39 are required to be presented as current? If not, why?

We do agree with the proposed amendment. This is especially needed for some non-financial contracts within the scope of IAS 39 and some embedded derivative in non-financial host contracts.

Question 7 - Do you agree with the proposal to amend paragraphs 7, 9 and 11 of IAS 8 to clarify the status of implementation guidance? If not, why?

We agree

Question 8 - Do you agree with the proposal to amend paragraph 13 of IAS 10 to clarify why a dividend declared after the reporting period does not result in the recognition of a liability at the end of the reporting period? If not, why?

We agree

Question 9 - Should the definition of recoverable amount in IAS 16 be amended to remove the perceived inconsistency with 'recoverable amount' used in other IFRSs? If not, why?

We agree

Question 10 - Do you agree with the proposal to amend paragraph 68 of IAS 16 and paragraph 14 of IAS 7? If not, why?

We agree

Question 11 - Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate a perceived inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not, why?

We agree

Question 12 - Do you agree with the proposal that contingent rent relating to an operating lease should be recognised as incurred? If not, why?

We do not agree with this proposal. The proposal eliminates one rule based solution that is not applied in practice. We are in favour of that proposed change. But the proposal introduces another rule based solution that opens IAS 17 to huge structuring opportunities by letting all lease payments become contingent or becoming contingent on a non straight-line basis. Contingent rent that at inception is expected to be incurred on a non straight-line basis should be recognised on its expected straight-line basis.

Question 13 - Do you agree with the proposed amendment to the guidance on IAS 18 to explain that the definition of the transaction costs to be applied to the accounting for financial asset origination fees are those defined in IAS 39? If not, why?

We agree.

Question 14(a) - Do you agree that IAS 19 should be amended to clarify that when a plan amendment reduces benefits for future service, the reduction relating to future service is a curtailment and any reduction relating to past service is negative past service cost? If not, why?

We agree.

Question 14(b) - Do you agree that the Board should delete the following sentence from paragraph 111 of IAS 19: 'An event is material enough to qualify as a curtailment if the

recognition of a curtailment gain or loss would have a material effect on the financial statements.'? If not, why?

We agree.

Question 15 - Do you agree with the proposal to amend the definition of return on plan assets in paragraph 7 of IAS 19 to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation? If not, why?

We agree.

Question 16 - Do you agree with the proposal to replace in IAS 19 the term 'fall due' with the notion of employee entitlement in the definitions of short-term employee benefits and other long-term employee benefits? If not, why?

We agree.

Question 17 - Should the reference in IAS 19 to recognising contingent liabilities be removed? If not, why?

We agree.

Question 18 - Do you agree with the proposal to conform terminology used by IAS 20 to the equivalent defined or more widely used terms? If not, why?

We agree.

Question 19 - Do you agree with the proposed amendments to IAS 20 to clarify that the benefit of a loan received from a government with a below-market rate of interest should be quantified by the imputation of interest in accordance with IAS 39? If not, why?

We agree. However we see a large number of loan grants (outside the scope of IAS 39) being given. The standard should require these loan grants to be measured at fair value.

Question 20 - Do you agree with the proposal to amend paragraph 6 of IAS 23 to refer to the guidance in IAS 39 Financial Instruments: Recognition and Measurement relating to effective interest rate when describing the components of borrowing costs? If not, why?

We agree.

Question 21 - Do you agree with the proposal to require investments in subsidiaries that are accounted for in accordance with IAS 39 in the parent's separate financial statements to continue to be accounted for on that basis when classified as held for sale (or included in a disposal group that is classified as held for sale)? If not, why?

We agree.

Question 22 - Do you agree with the proposal to clarify the disclosures required of an investor in an associate that accounts for its interest in the associate at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

We agree

Question 23 - Do you agree with the proposal to amend paragraph 33 of IAS 28 to clarify the circumstances in which an impairment charge against an investment in an associate should be reversed? If not, why?

We agree with the intention of the amendment, that reversals of an impairment loss of an associate accounted for by the equity method should not be impeded by the possible existence of goodwill in the amounts written down or reversed.

However, we believe that the added sentences will create some confusion with respect to the application of the equity method. According to paragraph 23 adjustment to the investor's share of the associate's profits or losses should reflect, among other things, the depreciation of the fair value of depreciable assets at the acquisition date. To the extent that the impairment loss represents an adjustment to those fair values net of depreciation, it will have an impact on the depreciation amounts of subsequent periods. For depreciation purposes, therefore, it is necessary to do the allocation of the impairment loss that you suggest to remove by the new phrases in paragraph 33.

Question 24 - Do you agree with the proposal to update the description of historical cost financial statements in paragraph 6 of IAS 29 and to conform terminology in IAS 29 to the equivalent defined or more widely used terms? If not, why?

We agree.

Question 25 - Do you agree with the proposal to clarify the disclosures required of a venturer in a jointly controlled entity that accounts for its interest in the jointly controlled entity at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

We agree

Question 26 - Do you agree with the proposal to amend paragraph 11 of IAS 34 to require the presentation of basic and diluted earnings per share only when the entity is within the scope of IAS 33? If not, why?

We agree

Question 27 - Do you agree with the proposal to amend paragraph 134(e) of IAS 36 to require the same disclosures to be given for fair value less costs to sell as are required for value in use when discounted cash flows are used to calculate fair value less costs to sell? If not, why?

We agree

Question 28(a) - Do you agree that IAS 38 should emphasise that an entity should recognise expenditure on an intangible item as an expense when it has access to the goods or has received the services? If not, why?

We agree.

Question 28(b) - Do you agree that paragraph 70 of IAS 38 should be amended to allow an entity to recognise a prepayment only until it has access to the related goods or has received the related services? If not, why?

We agree.

Question 29 - Do you agree with the proposal to remove the last sentence of paragraph 98 of IAS 38 regarding the amortisation method used for intangible assets? If not, why?

We agree.

Question 30 - Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

We do not agree with the proposal to amend the definition of a derivative in IAS 39. Firstly we do not think that this is a minor amendment and secondly we believe this is a major change in the standard that will lead to a wide range of new embedded derivatives being very hard to evaluate having to be separated.

Question 31(a) - Do you agree with the proposal to amend IAS 39 to clarify the definitions of a financial instrument classified as held for trading? If not, why?

We agree with the proposal to clarify the definition of a financial instrument classified as held for trading.

Question 31(b) - Do you agree with the proposal to insert in IAS 39 paragraph 50A to clarify the changes in circumstances that are not reclassifications into or out of the fair value through profit or loss category? If not, why?

We agree with the principle, but believe that this could more easily be achieved by amending the definition of a financial instrument classified as held for trading as follows:

(iii) it is a derivative (except for a derivative that is a financial guarantee contract)

Question 32 - Do you agree with the proposal to amend paragraph 73 of IAS 39 to remove the references to segments and segment reporting? If not, why?

We agree with the proposal to amend IAS 39.73.

Question 33 - Do you agree with the proposal to amend paragraph AG8 of IAS 39 to clarify that the revised effective interest rate calculated in accordance with paragraph 92 should be used, when applicable, to remeasure the financial instrument in accordance with paragraph AG8? If not, why?

We do agree that IAS 39.AG8 should be clarified to require the use of a revised effective interest rate. However we do not support to make a reference to IAS 39.92 as IAS 39.92 is not the only situation in which a revised effective interest rate is to be calculated. Entities most often recalculate the effective interest rate when the contract (outside a default situation) stipulates that a new market based interest rate is to be set (eg a LIBOR liability with a 6 monthly interest rate fixing).

Question 34 - Do you agree with the proposal to amend paragraph AG30(g) of IAS 39 to clarify that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, as described in paragraph AG33(a), are closely related to the host debt contract? If not, why?

Due to the cross reference made to IAS 39.AG33(a) we find it very hard to read the proposed content of the amended IAS 39.AG30(g). It is unclear which calls, puts or prepayment options that after the changes would in practice need to be bifurcated.

Question 35 - The exposure draft proposes to include property under construction or development for future use as an investment property within the scope of IAS 40. Do you agree with the proposal? If not, why?

We agree.

Question 36 - Do you agree with the proposal to conform terminology used in paragraph 31 of IAS 40 to the terminology used in IAS 8? If not, why?

We agree.

Question 37 - Should paragraph 50(d) of IAS 40 be amended to clarify the accounting for investment property held under a lease? If not, why?

We agree.

Question 38 - Do you agree with the proposal to replace the terms 'point-of-sale costs' and 'estimated point-of-sale costs' in IAS 41 with 'costs to sell'? If not, why?

We agree.

Question 39 - Do you agree with the proposed amendment to IAS 41 to permit either a pre-tax or a post-tax discount rate to be used according to the valuation methodology used to determine fair value? If not, why?

We agree. After tax calculations are often more practical to perform and may also be favored from a theoretical perspective.

Question 40 - Do you agree with the proposal to remove the exclusion of 'additional biological transformation' from paragraph 21 of IAS 41? If not, why?

The current wording prohibiting additional biological transformation to be taken into account has led to confusion. Among other things, many users of IFRS have read it to imply that they cannot refer to the cash flows after additional biological transformation in the discounted cash flow model approach in IAS 41.20, and therefore in many cases are left with referring to cash flows arising from a scrap marked. We therefore agree to the suggested amendment. However, we believe the effect of the amendment should be more clearly explained in the basis for conclusions section.

Furthermore, we would like to add comments to another important amendment not emphasized by the Board in the Exposure Draft. The wording *"in its present condition and location"* is added. The addition is meant to make clear that a scrap marked does not qualify as a relevant marked in IAS 41.17. The amendment suggested should be sufficient to avoid divergence in practice, but since the particularly important issue is not commented on in the basis for conclusions, one must refer to the preliminary works of the amendments, that is the agenda papers of the IFRIC, in particular Agenda Paper No 6 to the IFRIC meeting February

22, 2007, to understand all the grounds for the amendments. In our opinion therefore, the basis for conclusions section should be amended to include an explanation of the changes in the wording of par. 17 to make sure that it is clear that an active scrap marked is not relevant.

Question 41 - Do you agree with the proposed amendments to the examples in paragraph 4 of IAS 41? If not, why?

We agree.

Hopefully you find our comments useful in the continuing due process. If our response letter is not succeeding in conveying our views and concerns in a meaningful manner, please do not hesitate to contact us.

Yours faithfully
Norsk RegnskapsStiftelse

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Elisabeth Sulen
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