Swiss Re

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Comments to Exposure Draft 4 Disposal of non-current assets and presentation of discontinued operations

Dear Ms McGeachin,

Swiss Re, as one of the world's leading reinsurers, supports the IASB on improving International Financial Reporting Standards (IFRSs). Swiss Re Group's financial statements are currently published in accordance with Swiss GAAP (FER).

Furthermore, some of our subsidiaries, as well as a number of our clients, use IFRSs as their reporting base. Swiss Re, operating through more than 70 offices in over 30 countries, is exposed to accounting regulations issued by many different national standard setters and regulatory authorities.

We are concerned that the proposed guidance in ED 4 does not meet the prime objective of the convergence project in a number of areas. We strongly recommend that the Board eliminate the differences between IFRSs and US GAAP that we have described below.

Measurement of assets reclassified as held for use

The impairment of assets held for use is excluded from the scope of ED 4. Paragraph 18 of ED 4 would require entities to measure assets reclassified from held for sale to held for use at the lower of (a) the carrying amount that would have been recognised had the asset not been classified as held for sale and (b) its recoverable amount at the date of reclassification.

Under FAS 144, the reclassified asset is measured at the lower of (a) the carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset been continuously classified as held for use and (b) its fair value at the date of the decision not to sell.

It is possible that an asset reclassified from held for sale to held for use would be measured at its recoverable amount (the higher of fair value less costs to sell and its value in use) under ED 4, and at its fair value at the date of the decision not to sell under FAS 144.

Recognition of subsequent increases in fair value less costs to sell

The recognition of subsequent increases in fair value less costs to sell proposed in ED 4 does not achieve convergence with US GAAP. FAS 144 does not allow the recognition of a subsequent increase in fair value less costs to sell in excess of the cumulative loss previously recognised for a write-down to fair value less costs to sell.

Therefore, we suggest that the Board implement the FAS 144 provisions regarding the recognition of subsequent increases in fair value less costs to sell.

Definition and presentation of discontinued operations

We are concerned that the presentation of revenue, expenses, pre-tax profit/loss, and related tax expense of discontinued operations on the face of the income statement would increase the level of detail in the income statement obscuring, rather than enhancing, the understanding of the reporting entity's performance.

In addition, since the above proposal would change an existing IFRS without achieving convergence with US GAAP, it is inconsistent with the main objective of the convergence project.

We recommend the adoption of the existing requirement in FAS 144 to present the results of a discontinued operation in one line item (net of income tax) on the face of the income statement and disclose the remaining items in the notes.

Yours sincerely,

M. Swallow.

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