24 October 2003

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

Dear Ms McGeachin,

ED 4 - Disposal of Non-current Assets and Presentation of Discontinued Operations

On behalf of Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – NASB), I am writing to comment on the Exposure Draft *Disposal of Non-current Assets and Presentation of Discontinued Operations.*

ED 4 arises from the IASB/FASB convergence agreement and IASB`s consideration of SFAS 144. NASB supports the convergence project and extensive work being done in this respect. One aspect of the project is to achieve high quality accounting solutions. In this respect, we believe it is important to consider both IFRSs and US GAAP, and to choose the best solution of either accounting regime.

Another aspect of the process is consistence with the IASB Conceptual Framework and the ongoing discussion regarding the framework and the principle based system, which is the basis for IFRSs.

From the viewpoint of convergence, we agree in principle with the accounting solutions reflected in ED 4. Please find in appendix 1 our answers to the questions raised in the comment letter.

Yours sincerely
Norsk RegnskapsStiftelse

Idar Eikrem
Chairman

Q 1. Classification of non-current assets held for sale

The Exposure Draft proposes that non-current assets should be classified as assets held for sale if specified criteria are met. (See paragraphs 4 and 5 and Appendix B.) Assets so classified may be required to be measured differently (see question 2) and presented separately (see question 7) from other non-current assets.

Does the separate classification of non-current assets held for sale enable additional information to be provided to users? Do you agree with the classification being made? If not, why not?

We agree with the proposal to classify separately non-current assets held for sale. We believe that a separate classification, measurement and presentation of non-current assets held for sale will improve the information available for users in assessing the timing and amount of future cash flows.

However, according to SFAS 144, long-lived assets that are to be exchanged for similar productive assets cannot be classified as held for sale, for reasons mentioned in BC 15. According to IAS 16, the cost of property, plant and equipment acquired in an exchange transaction is normally measured at fair value. We would also like to emphasise the importance of convergence in this respect.

Q2. Measurement of non-current assets classified as held for sale

The Exposure Draft proposes that non-current assets classified as held for sale should be measured at the lower of carrying amount and fair value less costs to sell. It also proposes that non-current assets classified as held for sale should not be depreciated. (See paragraphs 8-16.)

Is this measurement basis appropriate for non-current assets classified as held for sale? If not, why not?

In view of convergence, we agree with the proposed measurement basis.

Q3. Disposal groups

The Exposure Draft proposes that assets and liabilities that are to be disposed of together in a single transaction should be treated as a disposal group. The measurement basis proposed for non-current assets classified as held for sale would be applied to the group as a whole and any resulting impairment loss would reduce the carrying amount of the non-current assets in the disposal group. (See paragraph 3.)

Is this appropriate? If not, why not?

We agree with the measurement basis proposed for a disposal group.

Q4. Newly acquired assets

The Exposure Draft proposes that newly acquired assets that meet the criteria to be classified as held for sale should be measured at fair value less costs to

sell on initial recognition (see paragraph 9). It therefore proposes a consequential amendment to [draft] IFRS X Business Combinations (see paragraph C13 of Appendix C) so that non-current assets acquired as part of a business combination that meet the criteria to be classified as held for sale would be measured at fair value less costs to sell on initial recognition, rather than at fair value as currently required.
Is measurement at fair value less costs to sell on initial recognition appropriate? If not, why not?

In the view of convergence, we agree with the classification and measurement basis of newly acquired assets that meet the criteria for classification as held for sale. However, as discussed in BC30 in more common cases the difference between fair value and fair value less costs to sell is recognised in goodwill. We therefore believe it will be appropriate to address this item in the Business Project phase 2.

Q5. Revalued assets

The Exposure Draft proposes that, for revalued assets, impairment losses arising from the write-down of assets (or disposal groups) to fair value less costs to sell (and subsequent gains) should be treated as revaluation decreases (and revaluation increases) in accordance with the standard under which the assets were revalued, except to the extent that the losses (or gains) arise from the recognition of costs to sell. Costs to sell and any subsequent changes in costs to sell are proposed to be recognised in the income statement.
(See paragraphs B6-B8 of Appendix B.)
Is this appropriate? If not, why not?

According to B8, a subsequent increase in fair value shall be recognised to its full extent. This measurement basis is inconsistent with the measurement basis in paragraph 8. B8 should be adjusted accordingly. In addition, to clarify the method described in B8, it would be appropriate to give examples.

Q6. Removal of the exemption from consolidation for subsidiaries acquired and held exclusively with a view to resale

The Exposure Draft proposes a consequential amendment to draft IAS 27 Consolidated and Separate Financial Statements to remove the exemption from consolidation for subsidiaries acquired and held exclusively with a view to resale. (See paragraph C3 of Appendix C and paragraphs BC39 and BC40 of the Basis for Conclusions.)
Is the removal of this exemption appropriate? If not, why not?

We agree with the proposal of removing the exemption form consolidation of subsidiaries acquired and held exclusively with a view to resale.

Q7. Presentation of non-current assets held for sale

The Exposure Draft proposes that non-current assets classified as held for sale, and assets and liabilities in a disposal group classified as held for sale,

should be presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale should not be offset and presented as a single amount. (See paragraph 28.)
Is this presentation appropriate? If not, why not?

We agree with the proposal, as we believe that a separate presentation the balance sheet improves the information to the users of the financial statements.

Q8. Classification as a discontinued operation

The Exposure Draft proposes that a discontinued operation should be a component of an entity that either has been disposed of, or is classified as held for sale, and:
(a) the operations and cash flows of that component have been, or will be, eliminated from the ongoing operations of the entity as a result of its disposal, and
(b) the entity will have no significant continuing involvement in that component after its disposal.
A component of an entity may be a cash-generating unit or any group of cash-generating units. (See paragraphs 22 and 23.)
These criteria could lead to relatively small units being classified as discontinued (subject to their materiality). Some entities may also regularly sell (and buy) operations that would be classified as discontinued operations, resulting in discontinued operations being presented every year. This, in turn, will lead to the comparatives being restated every year. Do you agree that this is appropriate? Would you prefer an amendment to the criteria, for example adding a requirement adapted from IAS 35 Discontinuing Operations that a discontinued operation shall be a separate major line of business or geographical area of operations, even though this would not converge with SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets. How important is convergence in your preference?
Are the other aspects of these criteria for classification as a discontinued operation (for example, the elimination of the operations and cash flows) appropriate? If not, what criteria would you suggest, and why?

We agree with the criteria for classification of discontinued operations and with the timing for classification. However, it is important to emphasize the underlying assumption of cost/benefit, as the requirement may result in relatively small units being classified as discontinued operations.

Q9. Presentation of a discontinued operation

The Exposure Draft proposes that the revenue, expenses, pre-tax profit or loss of discontinued operations and any related tax expense should be presented separately on the face of the income statement. (See paragraph 24.) An alternative approach would be to present a single amount, profit after tax, for discontinued operations on the face of the income statement with a breakdown into the above components given in the notes.
Which approach do you prefer, and why?

We believe that a presentation of a single amount on the face of the income statement with a breakdown in the notes, will enhance the understandability and comparability of the financial information.

Other comments

First-time Adoption

As a consequence of IFRS 1, European entities who must adopt IFRS in 2005, will have to apply the standard for periods beginning on or after 1 January 2004. Considering the timetable, the Board should consider not requiring retrospective application of the standard.