

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

11th November 2008

Exposure Draft of Proposed Improvements to International Financial Reporting Standards

FAR SRS, the institute for the accountancy profession in Sweden, is responding to your invitation to comment on the *Exposure Draft of Proposed Improvements to International Financial Reporting Standards*.

FAR SRS' detailed comments on the ED are set out in the appendix to this letter. FAR SRS agrees with the improvements suggested for IFRS 2, IFRS 5, IFRS 8, IAS 7, IAS 18, and IAS 38. However, FAR SRS has certain detailed comments on the amendments of IFRS 8 and IAS 18 that is further explained in the appendix. In addition, FAR SRS disagrees with the improvements suggested for IAS 36 and IAS 39.

FAR SRS

Göran Arnell
Chairman FAR SRS' Accounting Practices Committee

Attachment

Detailed comments

IFRS 8 Operating Segments – Disclosures of information about Segment Assets

FAR SRS agrees with the proposed amendment. However, FAR SRS proposes that the amendment will be inserted directly in paragraph 23 rather than in the Basis for Conclusion. We propose that the underlined words should be inserted in the second sentence in paragraph 23 as follows; “An entity shall report a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to the chief operating decision maker.” The wording “and total assets” should also be deleted from the first sentence of paragraph 23.

In our opinion, by including the proposed amendment directly in the standard one will eliminate the risk for misunderstandings and misinterpretations.

Furthermore, FAR SRS also proposes similar consequential amendment to IAS 34 16g (iv). FAR SRS proposes that the underlined words should be inserted to paragraph 16g (iv) as follows: “ ...total assets for which there has been a material change from the amount disclosed in the last annual financial statements, presumed that such information is regularly provided to the chief operating decision maker”.

IAS 18 Revenue

FAR SRS agrees with the proposed amendments to include indicators of a principal or agent relationship in the Appendix of IAS 18. However, when determining whether an entity is acting as a principal or as an agent, FAR SRS believes that two additional indicators exist as set out in EITF 99-19 Reporting Revenue Gross as a Principal versus Net as an Agent:

- (1) The entity performs part of the services provided or modifies the goods supplied.
- (2) The entity has discretion in selecting suppliers.

In FAR SRS’ opinion, the indicators above should be added to the guidance of determining whether an entity is acting as a principal or as an agent in Appendix of IAS 18. Furthermore, by adding these two indicators, there is a convergence between IFRS and US GAAP in this area. FAR SRS also believes that the classification of indicators as strong and weak given in EITF 99-19 should be incorporated in the standard as it would give additional guidance.

FAR SRS does not believe the matter should be dealt with only by including material in an appendix that does not form part of the standard. In FAR SRS’ view, the principle underlying the clarification proposed should be included in the standard itself. That principle could then be illustrated in the appendix through the examples in the proposed clarification.

IAS 36 Impairment of Assets

FAR SRS believes that the annual improvement process is supposed to deal with a collection of minor, non-urgent but necessary amendments to existing IFRS (i.e. editorial corrections or clarifications). FAR SRS believes that the proposed amendment is a significant amendment rather than an editorial correction or clarification, and therefore it should not be included in the annual improvement process. Instead, this amendment should require the same due process as for a major amendment of a standard.

IAS 39.2(g) – Scope exemption of business combination contracts

FAR SRS disagrees with the proposed amendment. FAR SRS believes that whether an option or a forward is used to achieve a business combination the accounting treatment should be the same, as the outcome will be the same. In FAR SRS' opinion, an option to acquire control over a company is an option to buy the underlying assets and liabilities of an entity rather than investing in shares. It is thus akin to an option to buy real estate or other non-financial items which are scoped out of IAS 39 unless they are readily convertible to cash, or can be settled net and is not for the entities own use (see IAS 39.5-7).

IAS 39.11A – Application of fair value option

FAR SRS disagrees with the proposed amendment that the fair value option should be restricted to financial instruments with embedded derivative. The proposed amendment contradicts the requirement to fair value the entire hybrid contract if the embedded derivative cannot be reliably separated (39.12). FAR SRS believes that allowing entities to use the fair value option on non-financial hybrid contracts reduces the complexity for the preparers of bifurcating certain instrument, and does not reduce (potentially it even enhances) the information content for the reader.

IAS39AG33 Bifurcation of an embedded foreign currency derivative

FAR SRS disagrees with the proposed amendment as we believe that the proposed changes increases the complexity of determining when to bifurcate an embedded foreign currency derivative. The original rule in AG33(d) is clearly intended as an anti-abuse rule. There is no economic difference for the parties whether the good is transacted in one or another currency. FAR SRS believes it is only appropriate to require separation of an embedded currency derivative that includes leverage, is not a forward, or is inconsistent with normal market practise that participants in the market would rationally undertake.