

# Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2008:16

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

Dear Sirs,

## Discussion Paper – Improvements to IFRSs

We appreciate the opportunity to respond to the International Accounting Standards Board's Discussion Paper *Improvements to IFRSs* (DP in the following). This letter represents the views of the Swedish Financial Reporting Board.

### Summary

We suggest changes to two of the proposed improvements and disagree on two of them. We have enclosed our detailed comments on these issues below.

### General Comments

We have chosen not to comment on all of the proposed amendments as we only have concerns concerning four of the proposed amendments. The issues we have are as follows:

- We consider that IFRS 8 should be amended and not only the basis for conclusion regarding the clarification on the disclosure of segment assets.
- We consider that the proposal concerning guidance on determining whether an entity is acting as principal or as an agent could be improved further.
- In a principles based environment we do not see the need to stipulate what the highest level to allocate goodwill and test for impairment is. IAS 36 in its present form is quite clear as to what a cash generating unit is. In our opinion paragraph 80 b is an unnecessary anti abuse paragraph that should be eliminated.
- The proposed amendment to IAS 39 concerning bifurcation of an embedded foreign currency derivative is unclear and hard to interpret. We consider that the present text is superior and see therefore no need for an amendment.

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## Detailed comments

### IFRS 8 Operating Segments

We believe that the text in paragraph 25, in addition to the clarification in the basis for conclusion, should be amended to clarify the IASB's decision.

### IAS 18 Revenue

We believe that the guidance given in the exposure draft on the distinction between agent principal is insufficient and vague. The factors added in the appendix seem to be taken from the US EITF 99-19 Reporting Revenue Gross as a Principal versus Net as an Agent. On what basis have these indicators been chosen and not the others which are included in the EITF? We believe that all the indicators, as given in EITF 99-19, should be incorporated in the standard. The indicators should also be classified as strong and weak in line with the approach in EITF 99-19.

### IAS 36 Impairment of Assets

Our proposal is to remove paragraph 80 b. We believe that IAS 36 in paragraphs 80 and 80 a, is quite clear as to which level goodwill should be allocated and tested for impairment. As a consequence paragraph 80 b is not required. We consider it to be an unnecessary anti abuse paragraph not in line with the IASB's principles based approach. In addition, the operational organisational structure defining who reports to an entity's chief operating decision maker should not, in our view, as such affect the grouping in accordance with paragraph 81 of cash generating units to which a goodwill amount relates.

### IAS 39 Financial Instruments: Recognition and Measurement, Bifurcation of an embedded derivative

We consider that the principles based text should be retained in AG 33 (d)(iii). What the proposed change is meant to say is unclear. The reference to the text in IAS 21.9 for determining the functional currency could be interpreted in the following manner. In order to not have to account for an embedded derivative separately one of the parties to the contract would have to have a functional currency which is the same as the one set out in the contract. This would eliminate p. (iii) as such, since the situation is already covered by p. (i).

Also the indicators in BC 19 do not contribute much to clarify the situation. Take for example a freight contract between a Swedish shipping line and a Canadian industrial company denominated in USD, a very common currency for this type of contract. BC 19 (d) says that a liquid international currency used by parties domiciled in small countries, as a convenient means of exchange, would be likely to be integral to the contractual arrangement. Are Sweden and Canada small countries, which are covered by this paragraph? If you replace these countries with Japan and Great Britain this

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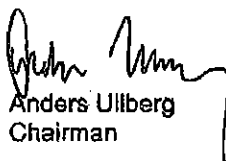
paragraph obviously is not applicable. As a consequence, an embedded foreign currency derivative would have to be accounted for separately.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by email to: [carl-eric.bohlin@radetforfinansiellrapportering.se](mailto:carl-eric.bohlin@radetforfinansiellrapportering.se).

Stockholm, November 14, 2008

Kind regards,

THE SWEDISH FINANCIAL REPORTING BOARD

  
Anders Ullberg  
Chairman

