Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2008:7

International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

Re: IFRIC Draft Interpretation D 23 Distributions of Non-cash Assets to Owners

The Swedish Financial Reporting Board (Board) is responding to your invitation to comment on the above exposure draft.

General Comments

There is no substantial guidance concerning shareholder transactions in current IFRS. We believe that these type of transactions should be considered in a broader perspective, preferably in the recently started IASB project on common control transactions. To issue a interpretation on a separate issue with a quite narrow scope seems to us in this case to be the wrong approach. Therefore it is our strong opinion that the IFRIC should not continue with this project.

Furthermore the Board disagrees with the proposal for a number of other reasons:

- Fair valuing the liability without fair valuing the related asset would not reflect the economic reality. However we cannot see that under the current standards that you could fair value an asset when you still control it. Measuring the liability at fair value and the related asset at carrying amount would create an accounting mismatch, as the proposal is that recognition and settlement of the liability fall into different accounting periods. For example IFRIC 3 "Emission rights" was rejected by the users due to the accounting mismatch and was withdrawn soon after its issuance.
- The draft does not discuss when the asset is to be considered derecognised based on the transfer of risks and rewards, the date of which could be different from the date of distribution.
- We do not agree with the IFRIC conclusion that the definition of income is met when an entity distributes the assets to its owners, as no additional economic benefits flow to the entity.
- The statement will create a divergence with US GAAP (see APB 29, Accounting for Nonmonetary Transactions).

- Also if the dividend payable in this specific circumstance would be based on an agreement or shareholder/board decision it would reflect the entity's obligation to transfer a specific asset, rather than any asset, then a case could be made that the liability should be measured on the same basis as the asset.
- The potential effects on other situations, such as gifts to other than owners, of the proposals.

We have decided not to answer questions 1-2 in the draft interpretation as we strongly object to the IFRIC conclusions as stated above.

Question 3 Whether an entity should apply the requirements in IFRS 5 to non-current assets held for distribution to owners

We agree with the proposal and we do not think there is a difference between the commitment date of the distribution and the date the company has an obligation to make a distribution.

However, as the above proposal would require amendments to IFRS 5 we consider that the IASB should issue an exposure draft with respect to this.

If you have any questions concerning our comments, please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, April 25, 2008

Yours sincerely

THE SWEDISH FINANCIAL REPORTING BOARD

Anders Ullberg
Chairman