

Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2009:03

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

Dear Sirs,

Re: Exposure Draft – Discontinued Operations – Proposed Amendments to IFRS 5

The Swedish Financial Reporting Board (Board) is responding to your invitation to comment on the above Exposure Draft (ED).

General Comments

We appreciate the opportunity to respond to the exposure draft.

Our concerns primarily relate to the definition of a discontinued operation. We believe that there are cases where information about divestments that could be characterized as major lines of business would be useful, even though they do not qualify as operating segments and as a consequence we recommend that the present definition be retained (and there may even be situations when also major businesses should be separately reported, see our comments to Question 1(a)). In light of that, in our opinion the comment made by the Board in BC 3 that the unit to be classified as discontinued in accordance with SFAS 144 was too small has to be supported by the arguments for why the Board reached that conclusion.

We also consider that the business held for disposal should be presented on a net basis in the statement of financial position. We believe this to be the appropriate presentation since this business is only a single asset from the group's perspective.

We consider the requirements in paragraph 41 A to disclose additional financial information to be excessive.

Question 1

Definition of discontinued operations

IFRS 5 defines a discontinued operation as a component of an entity that either has been disposed of or is classified as held for sale and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of

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business or geographical area of operations or
(c) is a subsidiary acquired exclusively with a view to resale.

This exposure draft proposes changing the definition so that a discontinued operation is a component of an entity that
(a) is an *operating segment* (as that term is defined in IFRS 8) and either has been disposed of or is classified as held for sale or
(b) is a *business* (as that term is defined in IFRS 3 *Business Combinations* (as revised in 2008)) that meets the criteria to be classified as held for sale on acquisition.

The exposure draft proposes that an entity should determine whether the component of an entity meets the definition of an operating segment regardless of whether it is required to apply IFRS 8.

Question 1(a)

Do you agree with the proposed definition? Why or why not? If not, what definition would you propose, and why?

No, we do not agree. We think that the proposed definition is too rules-based. We believe that the present definition is better i.e. "represents a separate major line of business or geographical area of operations. We would also recommend the IASB to look into if a portion of a separate major line of business, which would make up "a major business", should be included in the definition. For instance, the disposal of a portion of a rental business could significantly change as entity's operations and should therefore be separately reported.

Question 1(b)

If an entity is not required to apply IFRS 8, is it feasible for the entity to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply IFRS 8, and why?

In line with our answer to 1(a) we think that all entities should use the present definition.

Question 2

Amounts presented for discontinued operations

Under IFRS 8, amounts disclosed for operating segments are the amounts reported to the chief operating decision maker. Nevertheless, although the proposed definition of a discontinued operation refers to operating segments, this exposure draft proposes that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income, even if segment information disclosed to comply with IFRS 8 includes different amounts that are reported to the chief operating decision maker.

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Question 2

Do you agree that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income? Why or why not? If not, what amounts should be presented, and why?

We agree that the amounts presented for discontinued operations, regardless if the proposed change is implemented or not, should be based on the amounts presented in the statement of comprehensive income. We think that this is necessary since they are an integral part of the statement of comprehensive income.

Question 3

Disclosures for all components of an entity that have been disposed of or are classified as held for sale

The exposure draft proposes disclosures for all components of an entity that have been disposed of or are classified as held for sale, except for *businesses* that meet the criteria to be classified as held for sale on acquisition.

Question 3(a)

Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose, and why?

As explained in the BC, the Board concluded that the information of the standard should assist users in assessing the timing, amount and uncertainty of future cash flows. Once an item or group is classified separately, the only information that is relevant and useful to the users is what is the amount to be recovered and what the remaining business will look like.

The concept underlying this principle is that once reclassified, the business held for disposal is only a single asset subject to the disposal from the group's perspective. Therefore, it should be measured and presented as a single asset, with disclosure of assets and liabilities in the notes.

The requirements in paragraph 41 A to disclose financial information for components are excessive. If the components do not qualify for reporting in the primary statements, we consider that reporting in the notes is not useful.

Question 3(b)

Do you agree with the disclosure exemptions for *businesses* that meet the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose, and why?

Yes, we agree.

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Question 4

Effective date and transition

Entities would be required to apply the proposed changes prospectively, from a date to be determined by the IASB after exposure, with one exception: the amounts in the statement of comprehensive income (or in the separate income statement) should be reclassified on the basis of the revised definition of discontinued operations for all periods presented. Earlier application would be permitted.

Question 4

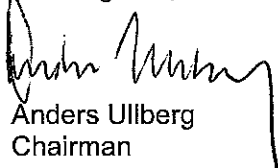
Are the transitional provisions appropriate? Why or why not? If not, what would you propose, and why?

Yes, they are appropriate.

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, January 29, 2009

Kind regards,



Anders Ullberg
Chairman