Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2010:13

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

Dear Sirs,

Re: Staff Draft of Exposure Draft IFRS X Financial Statement Presentation

Dear Sirs,

The Swedish Financial Reporting Board believes that financial statement presentation is an issue of fundamental importance. We will participate in the outreach activities and will formally respond to the exposure draft scheduled for early 2011. However, for now we would like to make some comments.

We are basically supportive of structuring the financial statements along the business/finance distinction. This distinction is fundamental both for capital providers' assessments and the management control of a company. However, since this is a very far-reaching change, we believe that it is extremely important that the new model is well-developed and robust before final implementation. We think that some important issues still are unresolved.

Our main concerns are related to issues of classification and information overload respectively. We are especially concerned that the "management approach" is no longer a fundamental concept. We support an overall management approach to classification, since it provides management with the ability to classify an entity's financial information based on the manner in which the underlying assets and liabilities are used.

We believe that the combined effect of the extensive disaggregation and reconciliation is information overload and that this is not justified from a cost-benefit perspective. The requirement for companies to report their expenses both by function and nature (with one small exception) is one important example.

Another example is note information about re-measurements in the income statement. The requirement of an analysis of a reconciliation of opening and closing balances for important assets and liabilities is probably the best alternative presented for reconciliation so far, but should not be restricted to the same components for all items, but allow for different components for different assets. Having chosen such a reconciliation to inform users on the changes in assets and liabilities in a period, we do

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not think it is justified to also require structuring the income statement based on the re-measurement concept (even if it is confined to the notes).

We have significant concerns as to the application of the staff draft in financial reports of financial institutions due to the following:

- We believe that a disaggregated presentation in the financial statements in banking institutions will increase the complexity of the presentation. An attempt to introduce a common structure for all industries will provide poor information as the specific activities of each and every financial institution will not be reflected appropriately. A split between business and financing is e.g. not relevant in a financial institution where business activities provide a large part of financing activities. The dividing line should rather provide for distinction between banking book business and trading or otherwise managing the financial instruments on a fair value basis. The business model should be the criterion for aggregation or disaggregation of assets and liabilities in the main financial statements.

- The requirement to present a direct cash flow statement would lead to the presentation of totally irrelevant information and would require preparers to support an onerous administrative burden not justified from a cost-benefit perspective as the users to a very limited extent utilise cash flow statements of financial institutions.

We have significant concerns, as many of the IASB's other constituents, over the administrative burden that an implementation of a revised standard for financial statement presentation standard will result in at the same time as other new burdensome standards are implemented. We believe the question that the IASB should ask itself is if users of IFRS financial statements really see such problems with these statements that a change should be implemented at this stage.

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, 7 October 2010

Yours sincerely

Anders Ullberg
Chairman

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