

Rådet *för* **finansiell rapportering**

The Swedish Financial Reporting Board

RFR-rs 2013:04

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

Dear Sirs,

Re: IASB Exposure Draft ED/2012/3 Equity Method: Share of Other Net Asset Changes

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft Equity Method: Share of Other Net Asset Changes.

We agree that there are some uncertainties regarding how an investor should recognize its share of changes in the net assets of an investee that are not recognized in profit or loss or other comprehensive income of the investee, and are not distributions received. However, we do not support the proposal by the IASB based on the following main concerns:

- In our view, an investor shall account for the investee's other net asset changes that result in indirect decreases and increases in the investor's ownership interest in the same way as actual disposals and acquisitions of interest in the investee.
- We do not support that the investor's share of changes in the investee's net assets, other than profit or loss or other comprehensive income and distributions received, is recognized in the investor's equity.

Below you find our detailed comments.

In our view an investor shall account for the investees other net asset changes in the same way as actual disposals and acquisitions of interest

Under the equity method, the investor recognizes gains or losses arising from an actual disposal of an investee in its profit or loss. Recognising dilution gains or losses in profit or loss resulting from a deemed disposal, due to a decrease in the investor's ownership interest in the investee, would be consistent with the existing requirement in IAS 28.



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We do not support that items other than owner changes is recognized in the investors statement of changes of equity

IAS 1 requires an entity to present all owner changes in equity within a statement of changes in equity. All non-owner changes in equity are required to be presented in the statement of comprehensive income. The approach proposed by the IASB would present certain transactions between an investee and third parties as if they were transactions with the investor's owners. We believe that such a proposal will cause conceptual confusion.

In addition, the proposed recycling of cumulative amounts of equity to profit or loss when the equity method is discontinued will result in treating equity like other comprehensive income which introduces additional complexity. The proposal risks causing confusion about the distinction between other comprehensive income and equity.


Other comments

As we have described above we do not support the proposals in the ED. If the IASB should still decide to issue a document we wish to point to our concerns regarding the transition rules. In our view the proposed transition rules will be very burdensome and the cost for amending the proposed paragraphs will exceed the benefit.

If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: claes.janzon@radetforfinansiellrapportering.se.

Stockholm, 19 March 2013

Yours sincerely


Anders Ullberg
Chairman