

The Swedish Financial Reporting Board

RFR-rs 2016:04

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

Dear Board members,

**Re: IASB Exposure Draft ED/2016/1 Definition of a Business and Accounting for Previously Held Interests – Proposed amendments to IFRS 3 and IFRS 11**

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft *Definition of a Business and Accounting for Previously Held Interests – Proposed amendments to IFRS 3 and IFRS 11*.

We support the proposal to clarify the guidance in IFRS 3 with regards to the definition of a business. Further, in our opinion the proposed amendment provides entities with a more robust application guidance than previously. Our experience is also that the former guidance was unclear and in many cases led to diversity in practice.

We share the Board's conclusion that if substantially all fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities is not a business. But in our view the word "similar" has not been sufficiently defined in the draft and the examples do not really help in this case. It is not clear whether investment properties always are similar or if different age/use/tenants/a mix of investment properties and operating properties etc. leads to different groups of assets when making the assessments of paragraph B11A-C.

We do note that the proposal will result in that certain types of acquisitions, in sectors as investment properties and shipping, in almost all cases will be accounted for as asset purchases, as the fair values of the gross assets will be substantial compared to the acquisition price. We also note that similar effects may arise in the bank and life insurance industry.

It may be unfortunate that the wording in the IASB's and FASB's proposals are not fully aligned with each other. If an objective with the ED is to have a converged conclusion with the FASB in this respect, the different words may result in unnecessary differences between IFRS and US GAAP upon implementation.

# Rådet *för* **finansiell rapportering**

We appreciate the examples which we consider provides useful guidance, even though we question the realism in Example I (IE 98-101). In addition, we believe that the wording "a significantly higher purchase price" in Example I is not clear in relation to the term "substantially all of the fair value".

We agree with the proposed amendments to IFRS 3 and IFRS 11 concerning when control or joint control is obtained in a former joint operation.

We support the proposed transition requirements. We find the prospective application, with early adoption permitted, to be a pragmatic solution.

If you have any questions concerning our comments please address our Executive member Mikael Scheja by e-mail to: [mikael.scheja@radetforfinansiellrapportering.se](mailto:mikael.scheja@radetforfinansiellrapportering.se).

Stockholm, 25 October 2016

Yours sincerely,



Anders Ullberg  
Chairman