



The Institute for the accountancy profession in Sweden

International Financial Reporting Interpretations Committee
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IFRIC Draft Interpretation D23, Distribution of Non-cash Assets to Owners

FAR SRS, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the above draft interpretation. FAR SRS supports the consensus reached in IFRIC D23. Please refer to appendix 1 for answers to the detailed questions raised in the draft interpretation and for FAR SRS' other comments.

FAR SRS

A handwritten signature in black ink, appearing to read 'Göran Arnell'.

Göran Arnell

Chairman FAR SRS' Accounting Practice Committee

Appendix A

FAR SRS' detailed comments on the IFRIC Draft Interpretation D23 *Distribution of Non-cash Assets to Owners*

Question 1

Specifying how an entity should measure a liability for a dividend payable (dividend payable)

FAR SRS agrees with the consensus that a dividend payable should be recognised at fair value. FAR SRS also, under these specific circumstances, believes it makes sense to apply the measurement criteria in IAS 37. Further, in paragraph 10 it is stated that "an entity shall *consider* the fair value of the asset to be distributed". It is FAR SRS' understanding that a dividend payable should be recognised at fair value. Therefore FAR SRS recommends IFRIC to consider whether a slightly revised wording in the final interpretation would clarify and avoid unnecessary confusion, i.e. "...*shall* be measured at fair value..." instead of "...consider the fair value..."

Question 2

Specifying how any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be accounted for when an entity settles the dividend payable

Agree.

Question 3

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

3 (a):

See answer to question 3 (c).

3 (b):

See answer to question 3 (c).

3 (c):

FAR SRS believes it is appropriate to amend the scope in IFRS 5 to include non-cash assets held for distribution to owners. It is FAR SRS' view that under Swedish circumstances and for this specific purpose, it would be appropriate to consider the board of directors as the appropriate level of management who could commit an entity to a highly probable plan to

distribute a non-cash asset (as set out in paragraph 6 and 7 of the current version of IFRS 5). This would be the case, regardless whether the distribution of the non-cash asset legally is subject to shareholders' approval or not. The date for shareholder approval could incur at a later date, i.e. obligation date. FAR SRS understands that this view, i.e. that the board can commit the entity before shareholder approval which for instance in Sweden is not possible from a legal perspective, may be considered too pragmatic and/or simplified.

On the other hand, FAR SRS believes there is no difference whether an asset is supposed to be distributed or sold, either way the carrying amount will not be recovered through continuing use. It is also FAR SRS' view that if the accounting treatment differs, like it does today basically as a result from the wording in a standard, the usefulness of financial reporting is low. Therefore, FAR SRS concludes that the accounting treatment should be the same regardless of whether it is highly probable that an entity should distribute a non-cash asset or should sell it and thus both should be within the scope of IFRS 5. This would also, as FAR SRS reads D23, be consistent with IFRIC's view as expressed in BC43.

Other comments

FAR SRS is concerned that the consensus in D23 may be applied by analogy to other similar transactions (common control transactions) as well as it may be considered that "best estimate" under IAS 37 always may be equal to fair value. FAR SRS believes it is important that IFRIC makes it clear in the final interpretation that it is not possible to apply D23 by analogy to any other situations than what is specified in the scope as well as best estimate in other cases not necessarily is equal to fair value.

Non-cash assets are not defined in D23 or in any other IFRSs. FAR SRS ask IFRIC to provide a definition in the final interpretation.

It is not clear to FAR SRS whether a distribution involving a combination of cash and non-cash assets would be within or outside the scope or whether the only the non-cash asset distribution part would be in the scope. Therefore, FAR SRS asks IFRIC to clarify this in the final interpretation.