



International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Oslo, April 25th 2008

Dear Sir/Madam

IFRIC draft interpretation D23 Distributions of Non-cash Assets to Owners

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) appreciates the opportunity to comment on the IFRIC draft interpretation D23 Distributions of Non-cash Assets to Owners.

We agree with the IFRIC that distribution of non-cash assets to owners is an area in which authoritative guidance is in demand, as evidenced by a variety of practices. However, it is to us not obvious that the issue of non-cash distributions to owners falls within the mandate of IFRIC, as presented in the IFRIC Due Process Handbook. Furthermore, we believe the issue of distributions to owners in general, including distribution of non-cash assets to owners, and not excluding common control transactions, ideally should be addressed together, probably in an accounting standard.

According to par. 3 (a), the scope includes “disposal groups as defined in IFRS 5”. Whether the scoping includes or excludes businesses as defined in IFRS 3, should in our opinion be addressed in the draft. If business is not included, the scope of the draft is too narrow to make the pronouncement of direct widespread relevance, at least from a Norwegian perspective. Distribution of non-cash assets not representing businesses to owners is not commonly done among the listed entities (the only ones required to apply IFRS in Norway).

Even though we tend to support the proposal to issue the interpretation, in reference to the expected time it would take before a standard that had been the subject of due process could be issued, we find it appropriate to remind the IFRIC that the issuing of an interpretation with a narrow scope as proposed, may actually increase the inconsistency in practice with respect to similar transactions not covered. Also, the issuing of narrow scope interpretations is in effect adding rules (the scope exemptions) to IFRS, and thus does not enhance the principles-based system one seemingly supports. In order to avoid such an unintended impact on accounting practice, we suggest that IFRIC in the basis for conclusions comment on the accounting for similar transactions by making a reference to IAS 8.11 (a).

Even though we, in spite of the arguments against as set out above, support the issuing of a narrow scope interpretations, we believe IFRIC should rethink whether there are good arguments supporting treating distributions to controlling owners not representing an accounting entity, for instance private persons, and distributions to controlling entity owners differently (including the former within the draft, but not the latter). It may be that the reason for this scope decision is that it is similar, but not identical, to the scope limitations of IFRS 3 *Business Combinations*. However, since the distribution of businesses is not particularly addressed by the proposal, it is not clear to us why a similar scope in IFRS 3 and D23 is important.

In par. 6 of the draft, it is specifically stated that the draft does not deal with when an entity should recognise a liability for distribution: *"The applicable IFRSs and the Framework provide guidance on when an entity should recognise such a liability"*. In our opinion, one should make the appropriate reference(s) in the draft, even though we agree that an issue dealt with elsewhere in the authoritative literature, should not be dealt with in this interpretation. Furthermore, the reference to "applicable IFRSs and the Framework" seems confusing to us. According to IAS 10.12-13, dividend is to be recognised as a liability at the date of declaration by the shareholders. Are there other relevant references, and what relevant guidance in the Framework is one referring to? We believe par. 6 needs to be clarified.

Our responses to the questions raised by IASB are attached to this letter. However, we would like to draw your attention to our comments to Question 2 in particular, and our concerns with respect to the use of "settlement" as the general timing criterion of recognition.

Yours faithfully
Norsk Regnskapsstiftelse

PP Siri C. Rosenblad
Elisabet Sulen,
Chairman

Question 1

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

Paragraph 9 of the draft Interpretation proposes that an entity should measure a liability to distribute non-cash assets to its owners in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The IFRIC concluded that all dividends payable, regardless of the types of assets to be distributed, should be addressed by a single standard.

Do you agree with the proposal? If not, do you agree that all dividends payable should be addressed by a single standard? Why? What alternative would you propose?

In the draft, it is concluded that a liability to distribute non-cash assets as dividends should be measured in accordance with IAS 37. First of all, we believe that a liability to distribute a financial asset as dividend is financial liability under IAS 32, and therefore is to be measured under IAS 39. It may be that the IFRIC finds that the dividend does not qualify as a “contractual obligation”, and thus that it falls outside IAS 32/39. In that case, the IFRIC should explain this view in the draft. On the other hand, if the IFRIC agrees with us, but suggests that the draft should override the standard, we cannot support the proposal. In our opinion, the IFRIC cannot issue interpretations in conflict with any standards or interpretations, at least not without simultaneously making consequential amendments.

Furthermore, regardless of the above comment, it is not clear to us that any obligation to distribute a non-cash asset is a liability “of uncertain timing or amount” in accordance with IAS 37. If not qualifying as a provision under IAS 37, and not a financial liability under IAS 32/39, there may be put forward arguments for not re-measuring the liability after initial recognition that should be addressed in the draft.

To summarize, in our view, a liability for dividend payable should be dealt with in accordance with the respective relevant standards. If not dealt with in any particular accounting standard, one may conclude that IAS 37 shall apply, even though we are not sure re-measurement of a liability to distribute a non-cash asset as dividend represents the most faithful representation. At least, one should consider whether the treatment of equity-settled share-based payments under IFRS 2, represents a more appropriate treatment.

The draft does not include cash dividends, and your question as to whether we agree that a single standard should address all dividends payable seems to imply other changes than the one suggested in the draft. However, as explained above, we believe that the respective relevant standards are applicable, and a single standard dealing with this particular kind of liability (dividends payable) is redundant in our view.

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

Paragraph 12 of the draft Interpretation proposes that, when the dividend payable is settled, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognised in profit or loss. Paragraphs BC28–BC43 of the Basis for Conclusions explain the reasons for this proposal. The Basis for Conclusions also includes an alternative view that the difference should be recognised directly in equity (see paragraph BC44).

Which view do you support and why?

We support the view expressed in paragraph 12 as we think that approach is most in line with the entity concept. That is, from the perspective of the accounting entity, the nature of a gain realized by the distribution to its owners is the same as a gain realized in a sales transaction with independent parties.

However, as the understanding of what is meant by “settled” will be very important as this expression may be understood differently depending on what type of non-cash asset is being distributed, we

therefore ask the IFRIC to elaborate on how “settled” should be understood when there is a settlement of a dividend payable and the dividend is a non-cash asset distribution. In our view, reference should be made to the respective standards dealing with derecognition. For instance, IAS 39 should be referred to in the context of financial assets, IAS 38 should be referred to in the context of intangible assets, and IAS 16 should be referred to in the context of property, plant and equipment. As with the measurement of the liability commented on in Question 1 above, we do not find grounds for overriding the guidelines for derecognition in the relevant standards.

Question 3

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

Both the Board and the IFRIC concluded that the requirements in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations should be applied to non-current assets held for distribution to owners as well as to non-current assets held for sale (see paragraphs BC45–BC48 of the Basis for Conclusions). Do you agree that an entity should apply IFRS 5 to non-current assets that are held for distribution to owners? If not, why and what alternative would you propose?

We agree that IFRS 5 should be applied to non-current assets held for distribution to owners.

The Board noted that IFRS 5 requires an entity to classify a non-current asset as held for sale when the sale is highly probable and the entity is committed to a plan to sell (emphasis added). For assets held for distribution to owners, this raises the following three questions:

- (a) Should an entity apply IFRS 5 when it is committed to make a distribution or when it has an obligation to distribute the assets?*

In our view IFRS 5 should be applied as is. According to IFRS 5.8, the appropriate level of management must be *committed*, not be obligated. Thus, when the relevant level of management has made the necessary commitment, and “(...) *it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn*”, classification as held for sale should be done. In our view, since a dividend distribution is contingent of the shareholders approval, classification as held for sale cannot be done at the time of management commitment if there is uncertainty as to if the shareholders will approve.

- (b) Do you think there is a difference between those dates?*

In our view there is a difference between those dates. Management may be committed before the entity has an obligation, which generally is when the shareholders approve the dividend proposal. But as explained above, classification as held for sale assumes that “(...) *it is unlikely that significant changes will be made or the plan will be withdrawn*”, and thus, in cases where the shareholder approval is uncertain, classification as held for sale under IFRS 5 and recognition as a liability under IAS 10 may very well coincide.

- (c) If there is a difference between the dates and you think that an entity should apply IFRS 5 at the commitment date, what is the difference? What indicators should be included in IFRS 5 to help an entity to determine that date?*

We refer to our comments above.