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By e-mail: Commentletters@efrag.org  
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Dear Ms. Françoise Flores,

**Discussion Paper from EFRAG etc.: Separate Financial Statements**

Referring to the Discussion Paper on Separate Financial Statements, the Danish Accounting Standards Committee set up by "FSR – danske revisorer" would like to provide the following general comments:

We appreciate that EFRAG and accounting standard setters in Spain, Italy and the Netherlands have prepared the discussion paper on the role of separate financial statements.

Since most of the international financial reporting standards have been developed in order to accommodate preparation of consolidated financial statements, there is a lack of internationally recognised guidelines on how to apply IFRS when preparing separate financial statements.

We find that it is very useful for the professional discussions on the content of separate financial statements to examine how users of financial statements apply separate financial statements.

Generally, we agree with the Discussion Paper (paragraph 3.10) that the needs of users of separate financial statements are quite similar to the needs of users of consolidated financial statements for most of the items presented in these statements. Therefore, like transactions and events should normally be accounted for and reported in the same way in separate and consolidated financial statements. However some transactions, e.g. when an entity acquires a group of assets and liabilities, might be treated different in separate financial statements compared with consolidated financial statements.

Seen from an owner-oriented point of view, transaction costs might be capitalized with the investment, however from an entity view (group-based view) it is not an asset.

We also refer to the discussions on advantages and disadvantages with applying the equity method in separate financial statements. This method is quite popular in Denmark, and is already allowed in Danish accounting legislation for investments in subsidiaries as well as investments in associates. The option to recognise investments in subsidiaries and/or associates using the equity method has existed in the Danish Financial Statements Act for several decades. Under the Act, it is for the company to decide whether it wish to apply the cost method, the equity method or revaluation (i.e. cost + revaluation with revaluation taken through equity) for subsidiaries, for associates or for both kinds of investments. We assume that company law – and thereby distribution of dividend and rules on solvency, bankruptcy etc. – is an important factor behind the need for certain accounting

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requirements for separate financial statements. Therefore, the examination of needs of users should include such aspects, i.a. the requirements in European company law directives as well as national company law.

When you accept options between accounting policies – which are often reasonable – you should of course require description of the policies applied in the consolidated as well as in the separate financial statements.

If you examine the need for separate financial statements from the view of the company and the management who prepares the financial statements it is our assumption - based on what we hear amongst Danish preparers – you would probably find, that the separate financial statements do not add much value to the information already provided through the consolidated financial statements.

Unfortunately, due to limited resources compared to the time, which would be needed, for dealing with all the issues we are not able at the moment to prepare specific answers to the detailed questions raised in the discussion paper.

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We would be happy to elaborate further on our comments should you wish so.

Kind regards

Jan Peter Larsen  
Chairman of the Danish  
Accounting Standards Committee

Ole Steen Jørgensen  
Chief consultant  
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