

International Accounting Standards Committee
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Exposure Draft: Relationships with the State (Proposed amendments to IAS 24)

The Swedish Enterprise Accounting Group (SEAG) is a forum for Chief Accountants from the largest Swedish listed companies. SEAG is administered by the Confederation of Swedish Enterprise, to which most participating companies of SEAG are joined.

Representing preparers' point of view, SEAG welcomes the opportunity to provide comments to your questions on the abovementioned exposure draft (ED 2008 below). Reference is also made to the previous ED on this topic (ED 2007 below).

Question 1—State-controlled entities

This exposure draft proposes an exemption from disclosures in IAS 24 for entities controlled, jointly controlled or significantly influenced by the state in specified circumstances.

Do you agree with the proposed exemption, and with the disclosures that entities must provide when the exemption applies? Why or why not? If not, what would you propose instead and why?

We agree. We believe that the suggested disclosures will give users more meaningful information than the ones suggested in the previous ED 2007.

Question 2—Definition of a related party

The exposure draft published in 2007 proposed a revised definition of a related party. The Board proposes to amend that definition further to ensure that two entities are treated as related to each other whenever a person or a third entity has joint control over one entity and that person (or a close member of that person's family) or the third entity has joint control or significant influence over the other entity or has significant voting power in it.

Do you agree with this proposal? Why or why not? If not, what would you propose instead and why?

We do not agree. We suggest that joint ventures and associates should not be treated as related parties based on joint control and significant influence by a third entity. This is based on two reasons:

- In a joint venture relationship both venturers have the same influence. It is not logic that the venturer who is not involved in a related party relationship, as proposed in ED 2008, would accept conditions in business transactions with the related party that are not at arms-length. If one of the venturers can influence transactions to be made on "non-market conditions" that indicates that the venturer is a parent company and, consequently, no JV relationship exists.
- Costs for preparing information related to the proposed extended definition of related parties may in many cases not be insignificant. The number of joint ventures and associated companies in international groups can be extensive. To keep track of all joint ventures and associates in other groups would require a lot of resources and it is not always easy to identify sources of information of relevant related parties to be disclosed. Apart from this difficulty we also question the merits of this new type of information in terms of benefits to the users.

We are pleased to be at your service in case further clarification to our comments will be needed.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE

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