

3 February 2014

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

Cc: EFRAG

Dear Sir/Madam

Exposure Draft ED/2013/10 Equity Method in Separate Financial Statements – Proposed amendments to IAS 27

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to submit its views on the exposure draft *Equity Method in Separate Financial Statements*.

We acknowledge several benefits of the proposed inclusion of the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. However, we do not believe that these benefits will outweigh the disadvantages of an increased number of accounting options and measurement alternatives. In general, we believe accounting options and measurement alternatives should be kept at a minimum because they reduce comparability of financial statements. Hence, we do not support the proposal to reinstate the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

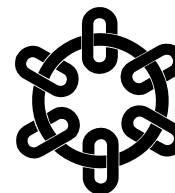
Our detailed comments to the questions in the order suggested by you are set out in the appendix to this letter.

Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response.

Yours faithfully,

Didrik Thrane-Nielsen
Vice Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

CC: EFRAG



Appendix - Detailed comments on amendments proposed in ED 2013/10

Questions

Question 1 – Use of the equity method

The IASB proposes to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Do you agree with the inclusion of the equity method as one of the options? If not, why?

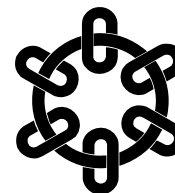
We understand that the inclusion of the equity method as an option to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements could better align accounting principles applicable to different sets of financial statements. In addition, we believe application of the equity method in the separate financial statements can provide useful information of the investor's net assets and profit or loss. However, we have several conceptual concerns if the Board decides to restore this option in the separate financial statements.

First of all, we believe the Board generally aims for a reduced number of accounting options within IFRS. However, the proposed amendment increases the number of options and thus reduces comparability.

Secondly, the proposed solution increases the number of measurement alternatives used within the separate financial statements. We understand that the Board holds as its preliminary view that the number of different measurements used should be the smallest number necessary to provide relevant information. Unnecessary measurement changes should be avoided and necessary measurement changes should be explained. We do not see that the Board has sufficiently explained why this is a necessary measurement change or a necessary increase in the number of measurements applicable in the separate financial statements.

Thirdly, although the IASB has not yet clarified whether the equity method is a one-line consolidation method or a measurement method, allowing the equity method to be applied in the separate financial statements confirms that the equity method is applied as a measurement method. However the regulation of the equity method procedures that is specified in IAS 28.28 is not consistent with the regulation of a measurement method and results in different treatment of transactions with the subsidiary, joint venture or associate in the separate financial statements depending on the measurement method of the investment in the subsidiary, joint venture or associate. We do not see this as conceptual consistent with the equity method being applied as a measurement method.

Based on the above-mentioned concerns we do not agree with the proposed inclusion of the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.



Question 2 – Transition provisions

The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

We agree.

Question 3 – First-time adopters

The IASB does not propose to provide any special relief for first-time adopters. A first-time adopter electing to use the equity method would be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards.

Do you agree that a special relief is not required for a first-time adopter? If not, why and what alternative do you propose?

We agree.

Question 4 – Consequential amendment to IAS 28 Investments in Associates and Joint Ventures

The IASB proposes to amend paragraph 25 of IAS 28 in order to avoid a conflict with the principles of IFRS 10 Consolidated Financial Statements in situations in which an entity loses control of a subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, and the entity elects to use the equity method to account for the investments in its separate financial statements.

Do you agree with the proposed consequential amendment? If not, why?

Paragraph 25 of IAS 28 refers to situations where an entity's ownership in an associate or a joint venture is reduced, but the investment is still classified either as an associate or a joint venture. However, paragraph BC11 of the exposure draft refers to situations where an entity loses control of a subsidiary, but retains significant influence or joint control. Hence, we do not believe the proposed amendment in IAS 28.25 is adequately explained by the IASB in BC11.

Question 5 – Other comments

Do you have any other comments on the proposals?

We believe that there will be a need to expand the regulation in IAS 27.11B(a).

The introduction of further accounting options increases the benefits of regulating the accounting treatment applicable when an investment changes category in IAS 27.10 (e.g. from a subsidiary to an associate or vice versa) and the entity has elected different measurement options for different categories.