

The Swedish Financial Reporting Board

RFR-rs 2015:01

EFRAG  
35 Square de Meeus  
B-1000 Brussels  
Belgium

Dear Sirs,

## Re: Discussion Paper – Separate Financial Statements

The Swedish Financial Reporting Board is responding to your invitation to comment on the Discussion Paper on Separate Financial Statements. The DP deals with an important area and could promote changes both to EU directives and to local laws. We believe that the possibility to apply IFRS also in the annual accounts generally leads to better information and also to cost savings for international groups.

In summary we have the following views:

- Due to the complicated legal structure in Europe we believe that a much more thorough analysis of the consequences of the proposals in the DP is needed.
- A major part of the analysis in the DP regards the very complicated area of common control transactions which will also require much more thorough analysis.
- It is vital that the concepts of separate financial statements, individual financial statements and annual accounts are clearly defined.
- We basically agree to the description of the use of financial statements and the users described but have some difficulty understanding why the analysis is restricted to the financial statements of parents and investors.

### Legal structure in Europe

The DP focuses on the situation in countries which allow IFRS in legal entities whereas the situation in countries like Sweden, that have not chosen to allow IFRS in statutory/annual accounts, is not analysed. Accordingly, we believe that a discussion should have been included in the DP whether any of the proposals could be in conflict with the EU directives, especially so as the Paper is developed as a European initiative. The Swedish legal structure and our experiences and actions are described below.

### Common control transactions

A major part of the analysis in the DP regards common control transactions, a very complicated area that have been discussed for many years and where the IASB has not had the time and resources to develop guidance. We believe that a much more thorough analysis is needed which probably should have the consolidated accounts as starting point. In our opinion, these transactions are of very different nature and accordingly we do not believe that it is possible for a standard setter to address all different scenarios. Consequently, we believe that it is appropriate for a preparer to

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select the most relevant accounting policy based on the framework. Such accounting policy should be properly disclosed so that users can understand how the financial statements have been affected.

## Definitions

The DP points out that IFRS refers to both separate financial statements and individual financial statements and the DP provides suggested definitions for them as well as annual accounts. We agree that it seems necessary for IASB to clearly define the different types of financial statements. However, since IFRS becomes law in Europe via the regulation it is of utmost importance that any guidance in this area does not apply to annual accounts.

## Use of financial statements

We basically agree to the description of the use of financial statements and the users described but have some difficulty understanding why the analysis is restricted to the financial statements of parents and investors (i.e. separate financial statements). For example, common control transactions are equally likely to arise in individual financial statements (i.e. entities without investments in subsidiaries) as in separate financial statements.

## Sweden

By Swedish law we have two types of financial statements; consolidated financial statements and annual accounts based on the 7th and 4th accounting directives respectively and in the future the new EU accounting directive. Taxation of companies in Sweden is to a great extent based on the recognized earnings in the annual accounts. Separate Financial Statements as defined in the DP doesn't currently exist in Sweden. From a Swedish perspective we believe it is vital to clearly state that separate financial statements should not be interpreted as annual accounts. Annual accounts should follow EU directives and regulations, local law and taxation. If IASB should elaborate on separate financial statement, without a clear legal status in EU and the member countries, we see a clear risk that it via the IFRS Regulation could violate local law based on the directives. We had a long discussion in Sweden this spring on how to interpret paragraph 8A in IAS 27. However, more guidance on separate financial statements could hopefully promote changes both to EU directives and to local laws and we believe that the possibility to apply IFRS also in the annual accounts generally leads to better information and also to cost savings for international groups.

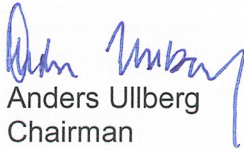
The legislator in Sweden has decided not to permit IFRS in statutory/annual accounts. The Swedish Financial Reporting Board has the responsibility to issue accounting rules for the annual accounts of companies being listed on regulated markets and thus applying IFRS in their consolidated accounts according to the IAS Regulation. We have issued a standard covering this which basically states that IFRS shall be applied in the annual accounts unless it is in conflict with Swedish law and/or creates unfavourable tax consequences compared to other companies, i.e. in line with para 3.10 of the DP. The Swedish standard is structured in such a way that it provides additions to and exceptions to all issued standards and interpretations from IASB and IFRS IC. As soon as IFRS or IFRS IC issues a new standard/interpretation or an amended standard/interpretation, an exposure draft is issued by the Swedish standard setter with regard to whether any additions or exceptions are applicable to the new or amended guidance.

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If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: [claes.janzon@radetforfinansiellrapportering.se](mailto:claes.janzon@radetforfinansiellrapportering.se)

Stockholm, 13 January 2015

Yours sincerely

  
Anders Ullberg  
Chairman