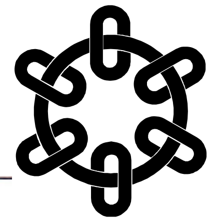
Norsk RegnskapsStiftelse



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

Cc: EFRAG

Oslo, January 28th, 2011

Dear Sir/Madam

Request for Views on Effective Dates and Transition Methods

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to give our response to the questions raised in your request.

The questions from the IASB and our answers follow below:

Q1. Please describe the entity (or the individual) responding to this Request for Views.

Norsk Regnskapsstiftelse is a Norwegian standard-setter and in that capacity representing users of financial statements.

Q2. Focusing only on those projects included in the table in paragraph 18 above:
(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?
(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Q3. Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Q4. Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

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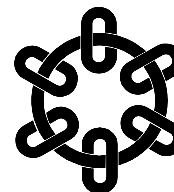


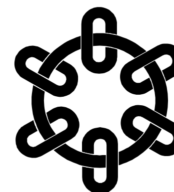
Answers to Q2 to Q4:
We foresee that large resources will be required for the implementation of the mentioned standards. We refer to our responses to the different exposure drafts for standard specific comments.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:
(a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).
(b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?
(c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.
(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

a) We prefer the single date approach. These changes may in many ways be compared to the IFRS adoption process. It is better to have a clear cut, changing the accounts once with all necessary explanations and changes in previous periods. In addition the mentioned standards are expected to require a huge effort from the preparers. In order to get commitment from and avoid burdening the organisations over a long period of time, it is better to have a onetime hit. We also think that this will be the best solution for the users, so that they don't need to make account of changes every year. In our experience analysts and other users prefer to have relatively stable accounting principles.
b) Mandatory effective dates should be 1 January 2015. This will give the companies, including those that are filing with the SEC and have to present two year comparable figures, time to investigate, make changes in systems and present comparable figures. Please be aware that companies with two years comparable figures in practice need to implement the changes by 1 January 2013, if mandatory implementation is by 2015. To ease the burden of those that are filing with the SEC, we urge the IASB to work together with the SEC and the FASB to grant filers with a similar exemption to the one given when adopting IFRS from two years of comparable figures.

Q6. Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Yes, new standards are meant to be an improvement compared to the old standards. The companies that want to implement early should not be refused to do that. In addition, voluntary early adoption is consistent with previous regulation in IFRS. Nevertheless, we think that early adoption should not be allowed for specific



standards only. If a company opts for early adoption, this should be for all standards specified in the single date approach.

Q7. Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

Yes, if companies now following US GAAP should adopt IFRS, their transition will be simpler.

Q8. Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

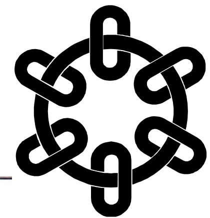
Yes. It will be an unnecessary burden on preparers if they are required first to implement old rules and then to change to new rules shortly afterwards.

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

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Norsk RegnskapsStiftelse



Trustees of the IFRS Foundation
30 Cannon Street
London EC4M 6XH
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Cc: EFRAG

Oslo, February 16th, 2011

Dear Sir/Madam

The future strategy of the IFRS Foundation

The Trustees request comment on the questions on the four areas listed below:

Mission: How should the organisation best define the public interest to which it is committed?

1. The current Constitution states, "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." Should this objective be subject to revision?

2. The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. To what extent can and should the two perspectives be reconciled?

Reply 1-2
No, we do not believe it is required to make a change to the stated objective. We think the standards should be aimed at meeting capital markets' information needs like they are today, and should not be redefined at serving other purposes, like stability purposes.

Governance: how should the organisation best balance independence with accountability?

3. The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). Does this three-tier structure remain appropriate?

4. Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued

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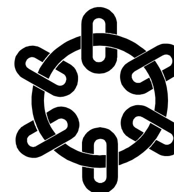


insufficient public accountability associated with a private-sector Trustee body being the primary governance body. Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities?

Reply 3-4
We believe it is important to find a balance between independence and legitimacy (influence from legitimate authorities and representative organisations).

Process: how should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?

5. Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?

Reply
There have been some cases of due process not being properly carried out by the IASB. Some examples are:

- advanced application of proposed, but not finalised, changes to the framework, for instance the definitions of assets and liabilities and the concept of reliable measurement
- the premature application in the IFRS for SMEs standard of proposed and later withdrawn changes to IAS 12
- superseding changes to IAS 1 (comprehensive income)
- several proposals of changes to financial instruments that have not resulted in much and would have gained from being further developed before published for comments
- reclassification of Financial Assets; amendments to IAS 39 and IFRS 7 made in October 2008

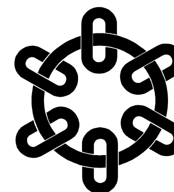
In the capacity of being the oversight body of the Foundation the Trustees have the competence to intervene if the IASB has not carried out due process properly.

6. Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?

Reply
No. It is important that the IASB and IFRIC ensure that the standards are clear and understandable, and they should pay attention to application and implementation issues in that context. However, monitoring of consistent application and implementation should be carried out by others than the IASB.

Financing: how should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?

7. Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?



Reply
The organisation should ensure a long term stabile financing, and there should be a system for contributions from the countries. It may be useful to establish a committee, which is given the task of making recommendations on expected contributions.

Other issues

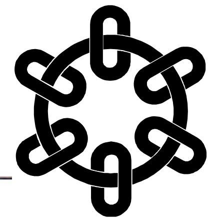
8. Are there any other issues that the Trustees should consider?

Reply
None identified.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Norsk RegnskapsStiftelse



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

Oslo, 10th March 2011

Dear Sir/Madam

ED 2010/13 – Hedge Accounting

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the exposure draft on hedge accounting. Please find our comments to the questions in the order suggested by you in the appendix to this letter.

We do support the effort to develop a new regulation of the accounting for hedging activities. However, in summary, we do not support the Boards current proposal to changes to the hedge accounting requirements in IAS 39 since we do not believe the changes would lead to more decision useful information for primary users of the financial statements.

The main reason as to why we believe this is the case is the lack of principles and clarity with regards to what risk management activities constitute. Hedge accounting represents an exception from the general requirements in IAS 39/IFRS 9. We believe that lack of principles regarding the basis and purpose of hedge accounting combined with a large amount of flexibility in the proposal could impair the decision usefulness in the reporting of financial instruments in the financial statements. We acknowledge that it could be difficult to make a precise and stringent definition of risk management activities and in which situations hedge accounting should be applied or be applicable. However when the Board decides to base the standard upon the entity reflecting its risk management activities through hedge accounting, then it is absolutely necessary to be able to define what is and what is not risk management activities. We question whether the Board has fully investigated the possibilities inherent in the fair value option in order to avoid excessive use of unclear hedge accounting possibilities.

If the Board is not able to make a clear and precise definition of both hedge accounting and which risk management activities should be subject to hedge accounting, we believe the exposure draft would only represent a replacement of one set of arbitrary rules with another set of arbitrary, but more flexible, rules.

As the Board proposes to link hedge accounting to a set of non-defined activities, we also would like the Board to clarify why hedge accounting should only be allowed for risks that affect profit and loss. For instance, several entities might want to hedge the currency exposure related to equity instruments that are at fair value through other comprehensive income. Is there any reason for excluding such economic hedges from being qualifying hedges under IFRS 9?

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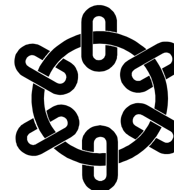
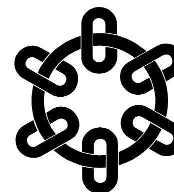


We strongly support the proposed change to the scope of IAS 32 and IAS 39 in relation to own use contracts. It is an important issue to a number of Norwegian energy and utility companies. However we do not support the proposed limitation to the change requiring that the entire business is managed on a fair value basis. Most often the relevant activities are separate parts of, and conducted in relation to defined and clearly segregated portfolios within the business and not the entire entity.

Our comments to the detailed questions are laid out in the appendix to this letter. The questions are answered under the premise that the Board decide to proceed with the proposed changes to IAS 39. Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



Appendix – NRS' responses to the questions asked in the ED

Question 1
Do you agree with the proposed objective of hedge accounting? Why or why not? If not, what changes do you recommend and why?

We believe it is difficult to actually see that the objective currently presented in the exposure draft adds any value to the standard or the accounting for hedge accounting as such. We argue that IASB should clarify and define what hedging comprises and believe that this has to be in place before an objective would represent a useful addition to the standard. Also, an objective of representing the effects of risk managing activities through rules of exception is not meaningful unless the standard clearly describes which risk management activities should be candidates for the hedge accounting rules. If the Board is not able to clarify and define this in an objective manner we believe the risk of management abuse is significant.

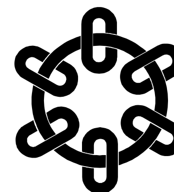
In order for an objective to give meaningful direction it is important to be able to distinguish between economic hedging or risk management activities and other activities like portfolio management or trading that should or should not be labelled risk management activities.

We also believe that the Board, given that it does not define risk management activities, should clarify why hedge accounting should only be allowed for risks that affect profit and loss.

Question 2
Do you agree that a non-derivative financial asset and a non-derivative financial liability measured at fair value through profit or loss should be eligible hedging instruments? Why or why not? If not, what changes do you recommend and why?

We believe that a non-derivative financial asset and a non-derivative financial liability measured at fair value through profit and loss should be eligible hedging instruments since they can be effective in offsetting changes in fair value on other items. Several entities use such instruments in order to meet the risk management objectives and given that the hedging requirements are met we believe such instruments should qualify as hedging instruments. However, we see no conceptual reason to exclude non financial assets and liabilities measured at fair value through profit and loss as possible hedging instruments. Hence we suggest that the Board includes these assets and liabilities as well in the group of eligible hedging instruments.

Question 3
Do you agree that an aggregated exposure that is a combination of another exposure and a derivative may be designated as a hedged item? Why or why not? If not, what changes do you recommend and why?



The proposal removes an obstacle for hedge accounting in IAS 39. We concur with this proposal since it eliminates a restriction in the current regulation and, given that the hedging requirements are met, we see no reason to exclude synthetic positions as being able to qualify as hedging objects. However we notice that this proposed change opens a whole new set of questions to the extent that the derivative designated as a hedged item is or is not in itself a hedging instrument or a hedging instrument in a different type of hedging relationship.

Question 4

Do you agree that an entity should be allowed to designate as a hedged item in a hedging relationship changes in the cash flows or fair value of an item attributable to a specific risk or risks (ie a risk component), provided that the risk component is separately identifiable and reliably measurable? Why or why not? If not, what changes do you recommend and why?

We strongly support this proposed change as it would remove a restriction or limitation in current regulation related to non-financial hedging objects which is not warranted in situations where a risk component is separately identifiable and reliably measurable.

Question 5

a) *Do you agree that an entity should be allowed to designate a layer of the nominal amount of an item as the hedged item? Why or why not? If not, what changes do you recommend and why?*
b) *Do you agree that a layer component of a contract that includes a prepayment option should not be eligible as a hedged item in a fair value hedge if the option's fair value is affected by changes in the hedged risk? Why or why not? If not, what changes do you recommend and why?*

a) We agree since it would make it easier to construct effective hedging relationships and reduce expected ineffectiveness. It also reflects the way exposures are handled within a large number of entities.

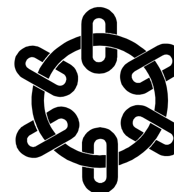
b) We do not agree since we believe this would represent a too detailed approach for standard setting.

We do not agree that the requirement stated in B24, that a component of a financial asset or a financial liability that is designated as the hedged item must be less than or equal to the total cash flow of the asset or liability, is applicable to components of future cash flows. It is important that for the hedging of future cash flows it must be possible to identify a component of future sales that, fulfilling the requirements of future effectiveness, might be more or less than the total future cash flow. This will be the case of hedging a reference component of a future power price where the actual future power price might come out above or below the more active traded reference component identified as the hedged component/item.

Question 6

Do you agree with the hedge effectiveness requirements as a qualifying criterion for hedge accounting? Why or why not? If not, what do you think the requirements should be?

We believe hedge effectiveness is an important ingredient in any hedging relationship. As such we support the inclusion of hedge effectiveness as a qualifying criterion for hedge accounting. We support



the removal of the 80-125 bright line test and the replacement with the proposed requirement of expectation of unbiased result and achievement of other than accidental offsetting. However we like the Board to clarify that the requirement to minimise expected hedge ineffectiveness refer to the unbiased result requirement and that it is not a requirement to use the best possible hedging instrument or hedging instruments.

Question 7

a) *Do you agree that if the hedging relationship fails to meet the objective of the hedge effectiveness assessment an entity should be required to rebalance the hedging relationship, provided that the risk management objective for a hedging relationship remains the same? Why or why not? If not, what changes do you recommend and why?*

b) *Do you agree that if an entity expects that a designated hedging relationship might fail to meet the objective of the hedge effectiveness assessment in the future, it may also proactively rebalance the hedge relationship? Why or why not? If not, what changes do you recommend and why?*

a) We would like the Board to clarify the concept of required rebalancing. We do not support a standard that requires an entity to rebalance a hedging relationship. A forced rebalancing would mean imposing an action that might not otherwise be a part of the risk management activity of the entity. Rebalancing requires either a new designation of a hedged item or a new trade or designation of a hedging instrument. We do not agree that an accounting standard has the authority to require a transaction. Also we do see a number of entities carrying out hedges that for administrative or transaction cost reasons are not necessarily balanced at all times. To require a continually rebalancing of the hedging relationship would make the accounting directing the risk management activities instead of reflecting it.

b) Although we can see the conceptual merit for such an approach we believe it could be difficult to apply it in practice. Hence we would like the Board to clarify what “proactive rebalancing” means.

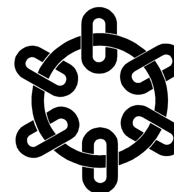
Question 8

a) *Do you agree that an entity should discontinue hedge accounting prospectively only when the hedging relationship (or part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable)? Why or why not? If not, what changes do you recommend and why?*

b) *Do you agree that an entity should not be permitted to discontinue hedge accounting for a hedging relationship that still meets the risk management objective and strategy on the basis of which it qualified for hedge accounting and that continues to meet all other qualifying criteria? Why or why not? If not, what changes do you recommend and why?*

a) We do not agree since we believe the lack of principles and clarity with regards to hedge accounting does not warrant such a restriction.

b) We do not agree. It is voluntary to prospectively designate a hedging relationship. It should be voluntary to prospectively de-designate a hedging relationship.



Question 9

a) Do you agree that for a fair value hedge the gain or loss on the hedging instrument and the hedged item should be recognised in other comprehensive income with the ineffective portion of the gain or loss transferred to profit or loss? Why or why not? If not, what changes do you recommend and why?
b) Do you agree that the gain or loss on the hedged item attributable to the hedged risk should be presented as a separate line item in the statement of financial position? Why or why not? If not, what changes do you recommend and why?
c) Do you agree that linked presentation should not be allowed for fair value hedges? Why or why not? If you disagree, when do you think linked presentation should be allowed and how should it be presented?

a) We do not agree. Before the Board has come up with a clear description of the use of other comprehensive income, we see no conceptual merit in cluttering other comprehensive income with debits and credits from fair value hedge accounting. We support the decision made by the board to keep the fair value accounting model and recommend not making any changes to the presentation of fair value hedges.

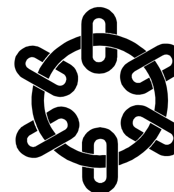
b) We do not agree with this proposal. We recommend that the effect of the hedge accounting should be disclosed in notes, but not as a separate line item in the statement of financial position. We object to the proposal because we fear it will not be informative if after a time an entity will have a separate line next to a large number of asset or liabilities in the statement of financial position. We do not support the inclusion of a possibly large number of line items that do not in it self represent assets, liabilities or equity.

c) We agree that the case for linked presentation has not been sufficiently laid out. If the Board is to propose linked presentation, we believe it should be as part of a larger project on linked presentation, and not as a limited part of a hedging standard.

Question 10

a) Do you agree that for transaction related hedged items, the change in fair value of the option's time value accumulated in other comprehensive income should be reclassified in accordance with the general requirements (eg like a basis adjustment if capitalised into a non-financial asset or into profit or loss when hedged sales affect profit or loss)? Why or why not? If not, what changes do you recommend and why?
b) Do you agree that for period related hedged items, the part of the aligned time value that relates to the current period should be transferred from accumulated other comprehensive income to profit or loss on a rational basis? Why or why not? If not, what changes do you recommend and why?
c) Do you agree that the accounting for the time value of options should only apply to the extent that the time value relates to the hedged item (ie the 'aligned time value' determined using the valuation of an option that would have critical terms that perfectly match the hedged item)? Why or why not? If not, what changes do you recommend and why?

a) We are not convinced by the arguments that parts of a derivative that is not designated in a hedging relationship should be treated differently from other derivatives not designated in a



hedging relationship. We are not able to see the benefits of introducing the two new concepts of transaction related hedged items and period related hedged items with two different exception based separate regulations for the treatment of time value for any other than auditors who will be granted a full employment act. We see no positive cost benefit by introducing separate recognition rules for time value of options designated as hedging instruments except for the time value. We do not see how it reduces complexity and we do not see how different rule based solutions may reflect all possible risk management activities.

b) We disagree.

c) We disagree.

Question 11

Do you agree with the criteria for the eligibility of groups of items as a hedged item? Why or why not? If not, what changes do you recommend and why?

We believe that a group of items that are managed together on a group basis for risk management purposes, should qualify as the hedged item, hence we are supportive of the changes proposed by the Board. However, the current proposal seems somewhat arbitrary and we believe the Board should develop somewhat clearer principles or remove some of the restrictions. For instance, paragraph 34 (c) could give rise to arbitrary situations and we question whether this paragraph is necessary.

Question 12

Do you agree that for a hedge of a group of items with offsetting risk positions that affect different line items in the income statement (eg in a net position hedge), any hedging instrument gains or losses recognised in profit or loss should be presented in a separate line from those affected by the hedged items? Why or why not? If not, what changes do you recommend and why?

We do not agree. We believe that it would be more informative to adjust all the items within the offsetting risk position such that the effect of the hedge is presented on each line affected by the hedge. We do not believe that presentation of hedging instruments gains or losses on a separate line in profit or loss will have any informative value as soon as the entity conduct several hedges of several different net positions.

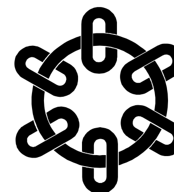
Question 13

a) Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes do you recommend and why?

b) What other disclosures do you believe would provide useful information (whether in addition to or instead of the proposed disclosures) and why?

a) We agree.

b) We do currently not have any proposals or suggestions with regards to additions to the proposed requirements.



Question 14

Do you agree that if it is in accordance with the entity's fair value-based risk management strategy derivative accounting would apply to contracts that can be settled net in cash that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements? Why or why not? If not, what changes do you recommend and why?

We strongly agree with the proposal. For a number of electricity and other commodity entities this will bring accounting in line with how several of these entities are managing their contracts.

We have not seen the proposed amended wording to the standard. However we are concerned by the possibly limiting scope indicated in appendix C and BC218 that the entities (should) manage their entire business on a fair value basis. If this is to be reflected in the amended text of the standard the change will be of little value to a large number of entities that carries out a large number of businesses within the entity. Most potential entities have some parts of their business that are not managed on a fair value basis. What we see is that entities, for which this change will be very relevant, often manage their businesses on a portfolio basis. Thus we urge the Board to use the portfolio basis and not the entire business when making the amendments to the standard.

Question 15

a) *Do you agree that all of the three alternative accounting treatments (other than hedge accounting) to account for hedges of credit risk using credit derivatives would add unnecessary complexity to accounting for financial instruments? Why or why not?*
b) *If not, which of the three alternatives considered by the Board in paragraphs BC226–BC246 should the Board develop further and what changes to that alternative would you recommend and why?*

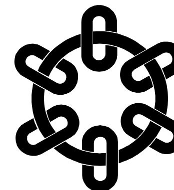
a) We do not agree that the three alternative accounting treatments to account for hedges of credit risk using credit derivatives would add unnecessary complexity. The basis for this is the problem to achieve hedge accounting in such circumstances. Given that entities use such instruments to hedge credit risk, we believe IASB should develop an approach which would give decision useful information, in other words, an approach which would better portray these risk management activities than current accounting.

b) We do not have any clear views in this respect.

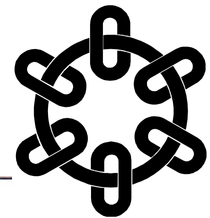
Question 16

Do you agree with the proposed transition requirements? Why or why not? If not, what changes do you recommend and why?

We agree that the new requirements should be applied prospectively. Based on early feedback from producers we feel that there is an eagerness by some entities to be able to early adopt the new hedging regulations. For such entities early adoption of the hedging requirements in parallel with continued use of IAS 39, or as part of early adoption of IFRS 9 as an isolated standard. are seen as very attractive.



In relation to the required application of the new requirements we question whether it is feasible to have an effective date as early as of 1. January 2013 as proposed. As stated in our reply to the Board on dates for implementation of the converged standards we recommend a required application as of 1. January 2015.



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

Cc: EFRAG

Oslo, April 1th, 2011

Dear Sir/Madam

Exposure Draft, Supplement ED/2010/12 Financial Instruments: Impairment

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to submit comments on the supplement exposure draft Financial Instruments: Impairment (the ED). While our detailed comments and basis for our conclusions are set out in the appendix to this letter, we would especially like to bring the following point of view to the attention of the IASB.

We have concerns about the scope of the ED. The scope of an amortised cost impairment model should include all financial assets measured at amortised cost and not only a subset of financial assets managed in an open portfolio. To achieve the objective of reducing complexity it is important that measurement of impairment is kept principle based, that the number of impairment models are limited to one and that any regulated practical concessions are limited to those that yield results approximately similar to the one principal model.

We stress the importance that an impairment model is to work as an integrated solution within a coherent IFRS 9 standard.

The model now proposed by the IASB do in many ways take up the principles proposed in an alternative model presented in Annex A of our comment letter (se CL 104) to ED/2009/12. We continue to support the concepts underlying that alternative model.

We agree with the ED that it is no longer appropriate to recognise expected credit losses over a time period if the collectibility of a financial asset, or group of financial assets, becomes so uncertain that the entity's credit risk management objective changes for that asset or group thereof from receiving the regular payments from the debtor to recovery of all or a portion of the financial asset.

We agree with the basic premise in the ED that when the credit risk management objective has shifted from that of receiving the regular payments from the debtor to that of recovery of all or a portion of the financial asset, then the objective of the business model is no longer to hold the relevant assets in order to collect contractual cash flows.

However we note that the Board in the ED does not follow the consequences of a change in the risk management strategy, but continues to propose an adjusted amortised cost measurement, when such a measurement attribute is no longer appropriate. We do not agree with the proposal of using an adjusted amortised cost measure when the risk

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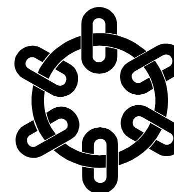


management objective has changed from collecting contractual cash (the regular payments) from the debtor to recovery of all or a portion of the financial asset.

We do not support the concept of introducing a minimum allowance amount (floor). We think this is counterintuitive to the basic effective interest rate concept of applying amortised cost in IFRS 9. Amortised cost is the more relevant measurement criterion when the basis for holding the financial asset is to receive contractual cash flows. To the extent that the entity does not hold an asset with the basis assumption of receiving all contractual cash flows, as indicated by transferring the asset to a "bad book", amortised cost is no longer the more relevant measurement criterion. However as long as amortised cost is the more relevant measurement criterion it becomes inconsistent to adjust amortised cost for the expected timing of an unexpected (loss) outcome. If for a specific instrument there is an expected timing of a loss event then amortised cost is not the correct measurement criterion.

We consider that the basic premise in IFRS 9 is to measure financial instruments at fair value through profit or loss with exceptions for (a) most financing non-derivative liabilities not held for trading and (b) certain assets with defined cash-flow characteristics that are hold to collect contractual cash flows, where amortised cost is considered the more relevant measurement criteria.

For most financial assets or liabilities initially recognised as current financial assets or current financial liabilities, where cash flows are fixed or determinable and expected to be realised, the difference between amortised cost and fair value will be insignificant and amortised cost can be seen as a mere practical approximation to fair value. Our recommendation is thus that the IASB should not spend efforts to develop an amortised cost model for such financial assets and liabilities. A more stringent conceptual solution would be to state fair value as the measurement principle for all financial instruments initially recognised as current financial assets or current financial liabilities.

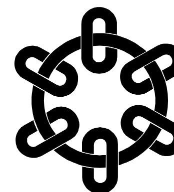
The exceptions to measure financial assets at fair value through profit or loss would thus be limited to business models, strategies or activities in which intra-period changes in fair value are not considered relevant.

To introduce an adjusted amortised cost model to financial assets, for which the business strategy is to secure and recover maximum values as opposed to collect contractual cash flows, would add further complexity into both the IFRS 9 and the amortised cost model.

Further explanations to our points of views and concerns to the exposure draft are laid out in our detailed comments to the questions in the order suggested by you 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, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



Question 1
Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (ie delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

We believe that the approach for recognition of impairment described in the ED deals with the weakness currently in IAS 39 of delayed recognition of expected credit losses.

Question 2
Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?

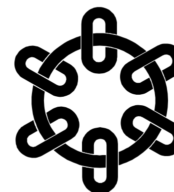
Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

We believe that IFRS 9 should be principle based with limited exemptions. We believe that the proposed approach to assets in a “good book” open portfolio can be at least as operational for closed portfolios and individual instruments. We do not believe that an amortised cost approach should be developed for other instruments like guarantee contracts as amortised cost is not the most relevant measurement attribute for such instruments.

Question 3
Do you agree that for financial assets in the ‘good book’ it is appropriate to recognise the impairment allowance using the approach described above? Why or why not?
We do not agree with the higher of concept proposed in paragraph 2. The argument underlying the higher of concept is that the expected timing of unexpected losses does matter. We disagree with this argument. The underlying assumption for the use of the amortised cost model is that for certain assets the intra-period changes in fair value are not considered relevant. A higher of concept is in conflict with this underlying assumption and should thus not be a part of an amortised cost measurement. We further believe the proposed model should reflect the link between the pricing of the asset and the expected credit losses. The proposed higher of concept is inconsistent with such an approach as it might result in day one losses. Hence, we disagree with the higher of concept proposed in paragraph 2.

If it the Board nevertheless finds a need to recognise a pattern of early or late loss recognition we believe this issue should be addressed by requiring a time proportional approach based on expected loss profiling that ensures that a provision is built up faster (slower) where there is evidence of a pattern of early (later) loss emergence in the particular type of portfolio. We believe this approach will be principle based, will mitigate the risk of inadequate provisions and ensure that link between the pricing of the asset and the expected credit losses are retained (reflect the economic substance of the transaction).

Provided that the Boards decide to proceed with the proposed lower of test, we encourage the Boards to clarify why a floor is needed in the “good book”, given that all expected credit losses will have to be recognised of any bad loans identified within the portfolio (to be transferred to bad book). We presume that the purpose with the lower of test is not to provide for identified losses on individual loans (to be transferred to bad book), but adjust for a front-loaded allocation (profiling) of losses expected for that particular type of loans in general.



Question 4
Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

We believe that the proposed approach specified in B8-B10 in the ED is operational. It is our understanding that the minimum information required to conduct such an approach is easily available from most system managing portfolios of non-current financial assets with fixed or determinable cash-flows.

Question 5
Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

We believe that the proposed approach will provide information that is useful for decision making. We have however concerns about the usefulness of information provided under a higher of model as such information due to different time horizon might not be comparable between entities and over time.

Question 6
Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

Amortised cost is a management driven exemption for which there will inevitably be some judgement on the borderlines. We believe that the requirement to differentiate between the "good book" and the "bad book" is sufficiently clearly described.

Question 7
Is the requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

We believe that the requirement to differentiate between the "good book" and the "bad book" is operational and auditable to the same extent as other accounting regulations that are driven by management intent, business model and internal organisation.

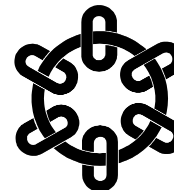
Question 8
Do you agree with the proposed requirement to differentiate between the two groups (ie 'good book' and 'bad book') for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

We strongly agree with the proposed requirement to differentiate between a "good book" and a "bad book". However when we regard this requirement, to differentiate, necessary for application of the correct measurement attribute rather than necessary for the purpose of determining the impairment allowance.

Question 9

The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the 'good book'? Why or why not?



As described above we do not agree with the proposal to require a floor for the impairment allowance related to the "good book".

See our answer to question 3.

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern?

See our answer to question 3.

(c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?

We do not agree with the proposed minimum allowance amount and hold no firm position on how such a minimum allowance is to be determined. We see positive arguments for a fixed horizon (comparisons between entities and over time) and a non-defined horizon (signalling from advanced entities with a long horizon, and not hiding anything just behind a pre-defined horizon).

(d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

No answer.

(e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.

No answer.

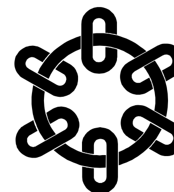
(f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a 'ceiling' should be established for determining the amount of credit impairment to be recognised under the 'floor' requirement (for example, no more than three years after an entity's reporting date)? If so, please provide data and/or reasons to support your response.

See answer to question 9(c).

Question 10

Do you believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

No answer.



Question 11
The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

(a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not?

We believe that the estimation uncertainty in regard to the estimate of expected losses will be such that it dominates any “error” from discounting. We believe that the standard should describe the principle, but should not regulate details that affect the recognised amounts less than the minimum measurement errors.

(b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?

As described above we believe that the standard should focus on principles and not on detailed regulation of the practical application of the principle. Thus we believe that the standard should state the principle and not the details of possible applications of the principle.

Question 12
Would you prefer the IASB approach for open portfolios of financial assets measured at amortised cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach, do you prefer the general concept of the IASB approach (ie to recognise expected credit losses over the life of the assets)? Why or why not?

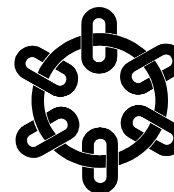
We would recommend the general concept of the IASB that is to recognise expected credit losses over life of the assets.

Question 13
Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (ie to recognise currently credit losses expected to occur in the foreseeable future)? Why or why not?

We do not prefer the FASB approach. To us the FASB approach is counterintuitive and not aligned with the principles for when amortised cost should be applied.

Question 14Z
Do you agree that the determination of the effective interest rate should be separate from the consideration of expected losses, as opposed to the original IASB proposal, which incorporated expected credit losses in the calculation of the effective interest rate? Why or why not?

We support the operational merits of separating the determination of the effective interest rate from the consideration of expected losses. We believe that the resulting figures for the financial assets sitting in a good book (provided that the higher of concept is not maintained) will not materially differ from the figures resulting from the original IASB proposal. It is our understanding that the proposed separated model will have a cleat cost benefit advantage. The more principle based solution would however be to indicate the proposed model as one practical expedient that might fulfil the underlying measurement principle of amortised cost as defined in the original ED.



Question 15Z
Should all loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37) be subject to the impairment requirements proposed in the supplementary document? Why or why not?

We do not support that a standard should enforce the proposed impairment requirements to loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37). We do not believe that amortised cost is the more relevant measurement criteria for loan commitments, thus we see no merit in a standard that requires the use of an impairment model applicable to financial assets measured at amortised cost to loan commitments.

Question 16Z
Would the proposed requirements be operational if applied to loan commitments and financial guarantee contracts? Why or why not?

We believe fair value to be the more relevant measurement criteria for loan commitments and financial guarantee contracts. We have no comments on to the issue of whether the proposed requirements will be operational if applied to loan commitments and financial guarantee contracts.

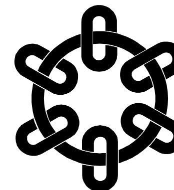
Question 17Z
Do you agree with the proposed presentation requirements? If not, what presentation would you prefer instead and why?

We agree with the principle that impairments on financial assets measured at amortised cost should be reported next to interest revenue from the same financial assets. We support that the board regulate this in the standard.

Question 18Z
(a) Do you agree with the proposed disclosure requirements? If not, which disclosure requirements do you disagree with and why?
(b) What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) for the proposed impairment model and why?

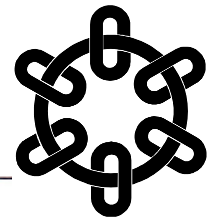
(a) As we do not agree with the proposed measurement criteria for the bad book and the higher of concept,we do not agree with the proposed disclosure requirements in Z7.

(b) We would prefer disclosure requirements related to the principles guiding the classification and reclassification of financial assets into the good book and the bad book. To help users assess the quality, frequency and timing of financial assets transferred from the good book to the bad book, we would prefer disclosures related to the amortised cost, fair value and number of financial assets reclassified from the good book to the bad book for the current annual period and the four previous annual periods. To help users assess the timing of losses we would prefer disclosures related to the relative age of the assets that are transferred from the good book to the bad book relative to the average duration of the good book. To help users assess the development of the bad book, we would prefer disclosures of the nominal values of the financial assets in the bad book (this is a part of the disclosure requirement of Z7(c)).



Question 19Z
Do you agree with the proposal to transfer an amount of the related allowance reflecting the age of the financial asset when transferring financial assets between the two groups? Why or why not? If not, would you instead prefer to transfer all or none of the expected credit loss of the financial asset?

As stated previously in this reply we believe an amortised cost measurement would not be appropriate when the objective has changed from collecting contractual cash flows to a recovery of all or a portion of the asset. Based on this we would like to see an approach were such instruments were measured at fair value on the date of transfer between the two groups. In situations were assets are transferred from bad book to good book we believe the fair value on the transfer date should be represented as the amortised cost. Given that the Board continues with the proposed adjusted amortised cost measurement for assets transferred to bad bookwe agree with the proposal to "transfer" an amount of the related allowance reflecting the age of the financial asset when transferring financial assets from the good book to the bad book. We believe that this will provide transparency to the quality of the management in identifying the financial assets to be transferred to the bad book.



Monitoring Board of the International Financial Reporting Standards Foundation

Cc: The Norwegian Ministry of Finance, EFRAG

Oslo, April 8th, 2011

Dear Sir/Madam

Request for Views on the Consultative Report on the Review of the IFRS Foundation's Governance

We refer to the Consultative Report on the Review of the IFRS Foundation's Governance and to our previous request for an extended consultation period. It is legitimate that the Monitoring Board takes up fundamental questions about the decision making structure and governance of the IASC Foundation. However, the suggestions raised are such that different layers of the IASC organisation, national standard setters and their constituents, and governments of those countries that have adopted the IFRS, should have a reasonable opportunity to voice their opinion. The short consultation period does not allow for a due process of these questions.

On that background, Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) cannot give its support to the suggestions in the Consultative Report on the Review of the IFRS Foundation's Governance.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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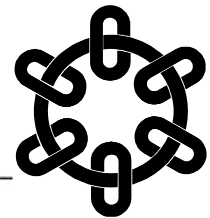
Norsk RegnskapsStiftelse



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

Cc: EFRAG

Oslo, April 28, 2011

Dear Sir/Madam

Exposure Draft, ED/2011/1 Offsetting Financial Assets and Financial Liabilities

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to comment on the exposure draft Offsetting Financial Assets and Financial Liabilities.

We are pleased with the efforts to address differences in offsetting requirements for financial instruments between IFRSs and US GAAP, and support the proposal to retain the principles in IAS 32 (under IFRS) for offsetting financial assets and financial liabilities in the statement of financial position.

We agree with the clarification that the right to set off should be unconditional and legally enforceable in all circumstances, and concur with the arguments presented in the basis for conclusion. We understand the wording in paragraph 9 to require separate presentation of cash collateral advanced against financial instruments in all circumstances (including derivative contracts). We support this conclusion and the reasoning provided in BC62 and BC 63.

We also support the proposed disclosure requirements. However, we encourage the IASB to consider the proposals in the ED in the context of existing quantitative disclosure requirement in IFRS 7 on credit risk, to avoid a potential duplication of disclosures, and to further clarify their content (see our reply to Q.4).

Our comments to the detailed questions are laid 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, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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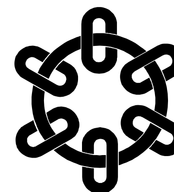


Question 1—Offsetting criteria: unconditional right and intention to settle net or simultaneously

The proposals would require an entity to offset a recognised financial asset and a recognised financial liability when the entity has an unconditional and legally enforceable right to set off the financial asset and financial liability and intends either:

(a) to settle the financial asset and financial liability on a net basis or

(b) to realise the financial asset and settle the financial liability simultaneously.

Do you agree with this proposed requirement? If not, why? What criteria would you propose instead, and why?

We support the proposed criteria's for offsetting financial assets and financial liabilities in the statement of financial position.

Question 2—Unconditional right of set-off must be enforceable in all circumstances

It is proposed that financial assets and financial liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of set-off. The proposals specify that an unconditional and legally enforceable right of set-off is enforceable in all circumstances (ie it is enforceable in the normal course of business and on the default, insolvency or bankruptcy of a counterparty) and its exercisability is not contingent on a future event. Do you agree with this proposed requirement? If not, why? What would you propose instead, and why?

We agree with the clarification that the right to set off should be unconditional and legally enforceable in all circumstances.

Question 3—Multilateral set-off arrangements

The proposals would require offsetting for both bilateral and multilateral set-off arrangements that meet the offsetting criteria. Do you agree that the offsetting criteria should be applied to both bilateral and multilateral set-off arrangements? If not, why? What would you propose instead, and why? What are some of the common situations in which a multilateral right of set-off may be present?

We agree.

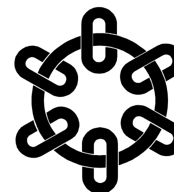
Question 4—Disclosures

Do you agree with the proposed disclosure requirements in paragraphs 11–15? If not, why? How would you propose to amend those requirements, and why?

We support the proposed disclosure requirements and the Boards effort to provide disclosures that respond to financial statement users request for information about net credit risk exposures. However, we encourage the IASB to clarify the scope and the objective of the disclosure requirements in particular with regards to the following.

- First, we encourage the IASB to determine how the proposed disclosure requirements will interact with existing quantitative disclosure requirements about credit risk in IFRS 7, and to consider combining some of these disclosures to avoid potential duplication of disclosures.

- Clarify whether collateral (paragraph 12(f)) that is held, but not recognised, should be included in the proposed tabular disclosures.



- Clarify whether the "collateralised borrowing" under repurchase arrangements ("failed sale") should be disclosed in the tabular disclosure proposed by paragraph 12.

- Clarify whether the existence of financial guarantees also should be included in the disclosures to provide a complete picture of the entity's credit exposure.

Furthermore, we question (a) the usefulness of requiring separate columnar disclosure of the portfolio-level credit adjustment for each class of financial asset and financial liability and (b) why this term (portfolio-level adjustment) is introduced in a disclosure requirement and not a measurement standard. If this disclosure requirement is retained in the final standard, the IASB should clarify the rationale for this requirement.

Question 5—Effective date and transition

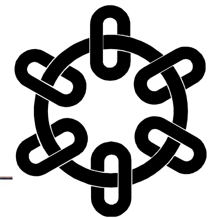
(a) Do you agree with the proposed transition requirements in Appendix A? If not, why? How would you propose to amend those requirements, and why?

We agree with retrospective application for all comparative periods presented.

(b) Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.

No comment.

Norsk RegnskapsStiftelse



EFRAG
35 Square de Meeûs
1000 Brussels
Belgium

Oslo, August 31, 2011

Dear Sir/Madam

Discussion Paper, Considering the Effects of Accounting Standards

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to comment on the EFRAG discussion paper Considering the Effects of Accounting Standards.

Our comments to the detailed questions are laid 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, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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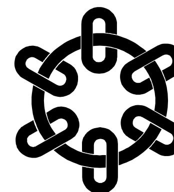


SECTION 2: The process of 'effects analysis'

1. *Do you agree that "effects analysis" should be defined, for the purposes of accounting standard setting, as "a systematic process for considering the effects of accounting standards as those standards are developed and implemented" (paragraph 2.2)?*

   If you disagree with the proposed definition, or would like it to be amended, please provide an alternative definition, and please explain why you favour that alternative definition.

   We agree.

2. *Do you agree that effects analysis should be integrated (or further embedded) into the standard setting due process (paragraph 2.7)? If not, why not? Please explain the reasons for your answer.*

   Yes, we agree that effects analysis should be integrated into the standard setting due process and hence provide transparency, accountability and creditability to the process. However, we have some concerns about the extensive work that has to be done to fulfill all the requirements set out in this discussion paper. Please see our comment to question 4.

3. *Do you agree that the standard setter should be responsible for performing effects analysis, and that the performance of effects analysis by any other body is not a sufficient or satisfactory substitute (paragraph 2.11)? If not, why not? Please explain the reasons for your answer.*

   We agree.

4. *Do you agree that effects should be considered throughout the life-cycle of a project to introduce a new accounting standard or amendment, but that publication of a document setting out the key elements of the effects analysis should be specifically required, as a minimum, at the following points in time in that life-cycle (paragraph 2.15)?:*

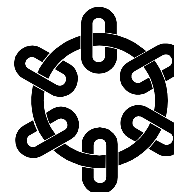
   A. *When an agenda proposal on the project is considered by the standard setter;*

   B. *When a discussion paper is issued for public consultation (this effects analysis is an update to "A", to reflect the latest information available);*

   C. *When an exposure draft is issued for public consultation (this effects analysis is an update to "B", to reflect the latest information available);*

   D. *When a final standard or amendment is issued (this effects analysis is an update to "C", to reflect the latest information available); and*

   E. *For new accounting standards and major amendments, a "postimplementation review" is required, which is an analysis of "actual effects" that should be performed*



and published when the pronouncement has been applied for at least 2 years, together with the publication of an associated document setting out the key elements of the review; a post-implementation review is not required for minor amendments.

If you do not agree, why is this? Please explain the reasons for your answer.

We disagree with the extensive proposal made in the discussion paper. We agree that effects should be considered throughout the life-cycle of a project. However, in our opinion it should be left to the standard setter to decide when and how often a publication of a document setting out the key elements of the effects analysis should be published. In our opinion the point in time A and B listed above are at such an early stage in the process, that an effect study might not be very useful. At this early stage, the process is developing and comment letters from respondents will give useful insights to the standard setter for further analysis. An effect study in such an early stage as a discussion paper could potentially lead to too extensive work for the standard setter without adding any significantly to the project.

5. *Do you agree that effects analysis should be undertaken for all new accounting standards or amendments, but that the depth of the analysis work should be proportionate to the scale of the effects (in terms of their "likelihood" of occurring and the magnitude of the "consequences" if they do occur), the sensitivity of the proposals and the time available (paragraph 2.19)? If not, why not? Please explain the reasons for your answer.*

   We agree that all new proposed amendments and accounting standards should be subject to effects analysis, and that the depth of the analysis work should be proportionate to the scale of economic consequences.

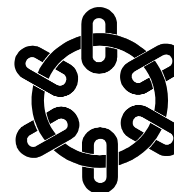
SECTION 3: The concept of 'effects'

6. *Do you agree that "effects" should be defined, for the purposes of accounting standard setting, as "consequences that flow, or are likely to flow, from an accounting standard, referenced against the objective of serving the public interest by contributing positively to delivering improved financial reporting" (paragraph 3.2)?*

   If you disagree with the proposed definition, or would like it to be amended, please provide an alternative definition and please explain why you favour that alternative definition.

   We disagree with the definition set out in paragraph 3.2.

   When evaluating whether a proposal are contributing positively to financial reporting we believe that the reference should be made to the Conceptual Framework which are the basis for developing accounting standards. The objective in the definition should be in line with the objective set out in chapter 1 in the Conceptual Framework. The users of financial reporting should be as defined in paragraph OB2 in the Conceptual Framework and not to the public interest. The effects should be evaluated based on the qualitative characteristics in chapter 3 of the Conceptual Framework.



7. *Do you agree that the term "effects", rather than the term "costs and benefits", should be used to refer to the consequences of accounting standards, in order to distinguish effects analysis from a CBA, on the grounds that it would not be appropriate to require a CBA to be applied to standard setting (paragraph 3.7)? If not, why not? Please explain the reasons for your answer.*

   We agree

8. *Do you agree that the scope of the "effects" to be considered, for the purposes of performing effects analysis, should include all effects, both "micro-economic effects" and "macro-economic effects" (paragraph 3.12)?*

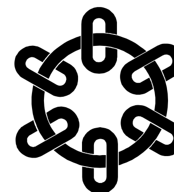
   If you disagree, please provide an alternative way of specifying what the scope of the "effects" to be considered should be, and please explain why you favour that alternative.

   The scope of effects should be referenced to the Conceptual Framework and its objective for financial reporting. In our opinion the effects studies should evaluate whether the proposed amendments or new standards are adding more useful information to the users as defined in the Conceptual Framework, given the limitations and cost constraints specified in Chapters 1 and 3. Considering all effects, both micro- and macro-economic effects, could potentially lead to a very extensively study, which again could substantially delay necessary amendments to the existing accounting standards.

9. *Do you agree that a standard setter can only be expected to respond to an effect which is outside of its remit (or for which an accounting standard is not the most effective means of addressing the particular effect) by communicating with the relevant regulator or government body to notify them of the relevant issue and to obtain confirmation from them that they will respond appropriately to it (paragraph 3.17)? If not, why not? Please explain the reasons for your answer.*

   In our opinion, the standard setter (IASB) cannot be responsible for responding to effects from a change in an accounting standard which is outside its remit. We also think that the regulators themselves should be responsible for relevant issues concerning their remits, and that the standard setter only is responsible of communicating what changes they propose and the effects arising from the proposed amendments with reference to the Conceptual Framework. It cannot be expected that a global standard setter such as the IASB should inform all regulators (worldwide) of potentially issues and obtain confirmation from all of them, ensuring that each one of them will respond appropriately to the issues.

10. *Do you agree that "effects" should be defined by reference to an objective, and that the objective should be that of "serving the public interest by contributing positively to*



delivering improved financial reporting", where "serving the public interest" means "taking into account the interests of investors, other participants in the world's capital markets and other users of financial information" (paragraph 3.19)?

If you disagree because you consider that "effects" should not be defined by reference to an objective, please explain the reasons for your answer.

If you disagree because you consider that "effects" should be defined by reference to an objective other than that specified above, please provide an alternative objective and please explain why you favour that alternative objective.

We disagree with the proposal. "Other users of financial information" are a very wide group. The objective and the users should be aligned to the Conceptual Framework, see our reply to Question 6.

11. *Do you agree with the following clarifications of the term "effects"?:*

    a) *Effects can be "positive", "negative" or "neutral", as determined by whether they support, frustrate or have no impact on the achievement of the objective of serving the public interest by contributing positively to delivering improved financial reporting (paragraph 3.23);*

    b) *Effects analysis will usually involve assessing the "marginal effects" of an accounting standard or amendment, relative to the status quo that existed before its introduction, so the term "effects" should, in general, be interpreted to refer to "marginal effects" (paragraph 3.24);*

    c) *The term "effects" can be used to refer to both "one-off effects" and "ongoing effects" (paragraph 3.26); and*

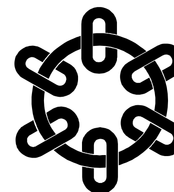
    d) *The term "effects" can be used to refer to both "anticipated effects" and "actual effects", depending on what stage the effects analysis is at – before, during or after implementation of the new accounting standard or amendment (paragraph 3.28).*

    If you do not agree with any of the above clarifications of the term "effects", which one(s) do you disagree with and why? Please explain the reasons for your answer.

    We agree that the stated clarifications of effects can be useful, however we don't rule out that there could be other ways of classifying effects that can be useful as well.

12. *Do you agree with the following further considerations concerning effects:*

    a) *Effects analysis should involve considering effects in terms of both their "incidence" (who is affected) and their "nature" (how they are affected), and that the standard setter should be transparent about whether and why they consider that the effects on one group should receive greater weight, less weight or equal weight to the effects on any other group (paragraph 3.30); and*



b) *Effects analysis should involve prioritising effects, possibly by "ranking" them in terms of their "likelihood" of occurring and the magnitude of the "consequences" if they do occur (paragraph 3.32).*

If you do not agree with any of the above further considerations concerning effects, which one(s) do you disagree with and why? Please explain the reasons for your answer.

We disagree with the wording in the proposal. To prioritize every effect could be very challenging and should not be a requirement for effects analysis. It should be stated as an example of how it can be presented, but it should be the standard setters responsible to evaluate whether it is sensible to rank the effects against each other.

SECTION 4: The key principles underpinning effects analysis

13. *Do you agree that there should be a set of key principles underpinning effects analysis (paragraph 4.2)? If not, why not? Please explain the reasons for your answer.*

We agree that key principles are important to ensure common understanding and transparency of the effects analysis.

14. *Do you agree that the set of key principles underpinning effects analysis should be as follows (paragraph 4.2)?:*

Principle 1: *Explain intended outcomes (refer to paragraph 4.2);*

Principle 2: *Encourage input on anticipated effects (refer to paragraph 4.2);*

Principle 3: *Gather evidence (refer to paragraph 4.2); and*

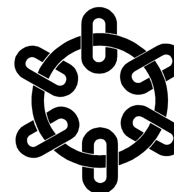
Principle 4: *Consider effects throughout the due process (refer to paragraph 4.2).*

If you disagree with the proposed set of key principles, or would like the principles to be amended, please provide an alternative set of key principles and please explain why you favour that alternative set.

The proposed principles might be appropriate; however we think that such principles should be developed at a later stage. When other key principles are in place, such as objective, definition of effects and the extent of effects analysis, we find it appropriate to discuss relevant methods of how to perform effect analysis.

SECTION 5: The practicalities of performing effects analysis

15. *Do you agree that the process that a standard setter should apply for validating the intended outcomes of a proposed accounting standard or amendment should include steps "a" to "d" of paragraph 5.2?*



If you disagree with the proposed steps, or would like the steps to be amended, please provide alternative steps and please explain why you favour those alternative steps.

We agree that step a) to d) might be appropriate. However, as noted in question 14 we find it too early to conclude on which methods should be used.

16. *Do you agree that the process that a standard setter should apply for identifying and assessing the effects of a proposed accounting standard or amendment should include steps "a" to "f" of paragraph 5.3?*

    If you disagree with the proposed steps, or would like the steps to be amended, please provide alternative steps and please explain why you favour those alternative steps.

    We agree that step a) to f) might be appropriate. However, as noted in question 14 we find it too early to conclude on which methods that should be used. We also think that the steps presented should be guidelines for the standard setter and not requirements that has to be fulfilled at every stage of the effects analysis.

17. *Do you agree that the process that a standard setter should apply for identifying options for the proposed accounting standard or amendment (options for achieving the intended outcomes of the proposed accounting standard or amendment), and for choosing the preferred option, should include steps "a" to "f" of paragraph 5.4?*

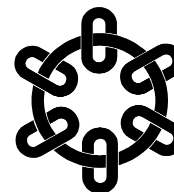
    If you disagree with the proposed steps, or would like the steps to be amended, please provide alternative steps and please explain why you favour those alternative steps.

    We are concerned that these requirements are too extensive and potential significantly delay demanded and necessary developments of accounting standards. However, as noted in question 14 we find it too early to conclude on which methods should be used.

18. *Do you agree that the IASB should, to some degree, delegate to national standard setters and similar institutions some of the activities involved in gathering evidence of the effects of accounting standards, particularly consultation with constituents, and that these bodies should play a more active part in the due process to ensure that IFRSs contribute positively to delivering improved financial reporting (paragraph 5.5)?*

    National standard setters have unequal amounts of resources to undertake such activities. We recommend that this question is evaluated during the process.

SECTION 6: Next steps

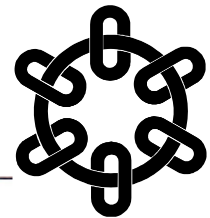


19. *Do you agree that the next steps in developing and, subject to the results of public consultation, implementing the proposals put forward in this paper should include steps "a" and "b" of paragraph 6.2?*

    If you disagree with the proposed next steps, or would like there to be additional next steps, please provide alternative and/ or additional steps and please explain why you consider that those alternative and/ or additional next steps are appropriate.

    If step "a" of paragraph 6.2 is meant to include field testing by the EFRAG or European national standard setters without involving the IASB, we disagree. We believe that the proposals as amended through this public consultation should be forwarded to the IASB for further consideration.

Norsk RegnskapsStiftelse



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

Cc: EFRAG

Oslo, September 23rd, 2011

Dear Sir/Madam

ED/2011/3: Mandatory Effective Date of IFRS 9

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the Exposure Draft on *ED/2011/3: Mandatory Effective Date of IFRS 9*.

We support the proposals. Our replies to the questions are set out in the appendix to this letter.

Yours faithfully,
Norsk RegnskapsStiftelse

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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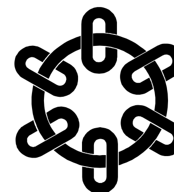


Appendix

Question 1

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

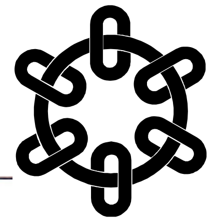
We welcome the Board's decision to postpone the effective date of IFRS 9. We support the policy of IASB that a large project like this should have in implementation period of minimum 12-18 months from the date the last phase of IFRS 9 is published.

Question 2

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We agree.

Norsk RegnskapsStiftelse



Sylvie Romancide
Project Officer and Communication Coordinator
Fédération des Experts-comptables Européens (FEE)
Avenue d'Auderghem 22-28/8
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Oslo, 30 September 2011

Dear Madam

Discussion Paper, Combined Financial Statements

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to comment on the FEE discussion paper Combined Financial Statements.

Considering the diverse practice in preparing combined financial statements we support the FEEs initiative to discuss proposals for harmonisation.

As mentioned in the introduction of the discussion paper IFRSs do not provide a specific standard for the presentation of combined financial statements. In practice, combined financial statements are included in prospectuses for the purpose of meeting the requirements of historic financial information as set out in the EU Directive and Regulation for Prospectuses. Hence, we do not find it appropriate that the IASB should address the issue as this is a matter of regulatory authorities. We believe harmonisation of combined financial statements should be achieved by developing the requirements of the EU Directive and Regulation for Prospectuses.

We have concerns about the gliding scale between combined financial statements and pro forma financial information, and we emphasise the importance of developing clear and robust requirements of combined financial statements. Furthermore, we question the suitability of using combined financial information as comparatives in financial statements prepared in accordance with IFRS.

Our comments to the detailed questions are laid 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, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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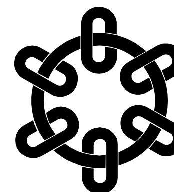


Section 3: Types of financial information for the past - Discussion point 1

Q1.1
Do you agree with the distinction of combined financial statements, consolidated financial statements and pro forma financial information as described and the characterisation of combined financial statements as historical financial information?

We agree.

Q1.2
Do you agree with the proposed definition of combined financial statements?

We believe the definition is too wide and not sufficiently clear and robust. In the discussion paper reference is made to a 'circumscribed area of economic activities' as defined in IASBs exposure draft on 'Conceptual Framework for Financial Reporting – The Reporting Entity' (RE). We do not believe that RE is sufficiently clear on how a circumscribed area of economic activities can be objectively distinguished from those other economic activities within a legal group. Thus, there is a need for clarifying the substance of 'objectively distinguished'.

In addition, the RE refers to economic activities of an entity that are being conducted, have been conducted or will be conducted. We do not believe it is expedient to include economic activities that will be conducted in the future.

Section 4: Principal approaches underlying the preparation of Combined Financial Statements - Discussion point 2

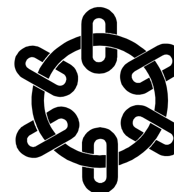
Q2.1: Do you agree that the common control approach referred to is appropriate for preparing combined financial statements? Please give the reasons.

We agree.
Common control is a main feature to define distinctive activities as one business.

Q2.2
Is the common control approach acceptable in your legal or market environment? If not, please state the reasons.

In Norway, the requirements for financial reporting in general do not address combined financial statements. Combined financial statements will be in addition to the mandatory preparation of separate and consolidated financial statements. In practice, combined financial statements are often prepared and presented in prospectuses in Norway.

Q2.3
With respect to the described scenario 2, do you agree that there are circumstances where it is acceptable to prepare combined financial statements for the remaining group?



In our opinion, preparation of combined financial statements for the remaining group would override the rules in IFRS 5 and we are not supportive of such approach.

In scenario 2, a group is demerging of a significant part of its economic activities and wishes to present the historical financial information for its remaining economic activities (combined financial statements) independently of financial information of the whole group. Provided the group prepares consolidated financial statements in accordance with IAS 27, we do not agree that it is acceptable to prepare combined financial statements for the remaining group. In these circumstances we believe the rules set out in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should apply. The remaining group will continue preparing consolidated financial statements under IFRS, but would present the part of the group being 'carved out' as discontinued operations.

Discussion point 3

Q3.1
Do you agree that the common management approach referred to is appropriate for preparing combined financial statements? Please give the reasons.

We do not agree that common management is appropriate for preparing combined financial statements. In our opinion combined financial statements should only include information about two or more commonly controlled entities. Common management does not meet the definition of control as set out in IAS 27.

We believe common control should be the only binding element.

Q3.2
If you consider the common management approach appropriate, what circumstance(s) do you consider necessary to assume common management?

See answer in Q3.1

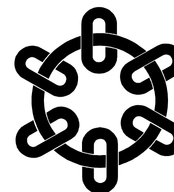
Q3.3
Is the common management approach acceptable in your legal or market environment? If not, please state the reasons.

This issue is not addressed in Norwegian legislation and we are not aware of any cases where the common management approach has been applied in Norway. Hence, we have no basis to consider whether or not this approach is acceptable in Norway.

Discussion point 4

Q4.1
Do you agree that the common business approach referred to is appropriate for preparing combined financial statements? Please give the reasons.

We disagree. In our opinion combined financial statements should only include information about two or more commonly controlled entities. Common business does not meet the definition of control as set out in IAS 27.



Q4.2
Is the common business approach acceptable in your legal or market environment? If not, please state the reasons.

This issue is not addressed in Norwegian legislation and we are not aware of any cases where the common business approach has been applied in Norway. Hence, we have no basis to consider whether or not this approach is acceptable in Norway.

Section 5: Identifying the area of economic activities – Discussion point 5

Q5
Do you agree with the proposed definition of economic activities? If not, please state the reasons.

We believe the proposed definition of economic activities in paragraph 5.11 is too wide and could result in the inappropriate combination of assets and liabilities into combined financial statements. We acknowledge the fact that assets and liabilities that are currently held by an entity or parts of an entity, may be managed together in future as an economic activity. However, we are not convinced that it is appropriate to combine financial information for those assets and liabilities on a historic basis.

Section 6: Key building blocks (major critical accounting issues)
Discussion point 6

Q6: Are there any additional key building blocks, other than the six identified?

We do not see any additional key building blocks to those presented in paragraph 6.

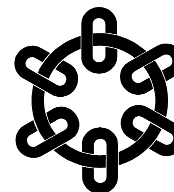
Q6.1
Do you agree that the principles of consolidation accounting under IFRS are to be applied when preparing combined financial statements? Why/why not?

We agree

Q6.2
Which of the described accounting policy choices do you find most relevant when preparing combined financial statements? Why?

The discussion paper continuously focuses on preparing combined financial statements in accordance with IFRS. Hence, we assume that all accounting policy choices referred to in paragraph 6.2 are accounting policy choices applicable under IFRS.

In principle, we believe the most relevant accounting policies to be applied in the combined financial statements would be those to be applied in the financial statements going forward. However, in some cases where a part of a legal group is to be sold it is not possible to foresee the accounting policies that potential investors intend to apply. Thus, using the accounting policies applied in the consolidated financial statements could be more relevant.



Q6.3
Do you agree with the principles of allocation as described?

We agree with the principle that combined financial statements may only include income and expenses, assets and liabilities that are clearly identifiable. However, as acknowledged in the discussion paper there is a number of areas where it may be necessary to allocate amounts differently to combined financial statements than what has historically been done in the consolidated financial statements. In many cases where entities are demerged in spin offs the exercise of judgement may be significant when allocating income and expenses, assets and liabilities. Whereas the principle says only amounts that are 'clearly identifiable' should be included we believe there is an implicit assumption that the extent of subjectivity in allocation should be limited. Consequently, we suggest to place more emphasis on clarifying the concept of 'clearly identifiable'.

Notwithstanding, we believe it is essential that the basis for which the information has been prepared is clearly stated in the disclosures of combined financial statements.

Q6.4
In terms of dealing with subsequent events, which of the presented three possibilities do you consider most relevant for the preparation of combined financial statements?

We would consider method b) as outlined in paragraph 6.4.4 the most relevant for dealing with subsequent events in combined financial statements. The method would fit the best to the normal requirements where the date of authorisation of the particular report is decisive for the period to be reviewed for subsequent events.

Given the specific relevance for the combined financial statements, adjusting events should be accounted for up to the date of the authorisation of the combined financial statements, even if this date is later than the date of the consolidated financial statements. This adds to the timeliness of information.

Q6.5
Which of the presented two approaches to account for transactions between different economic activities do you consider most relevant? Do you agree that whatever the approach adopted full disclosure of the approach taken and respective transactions should be made?

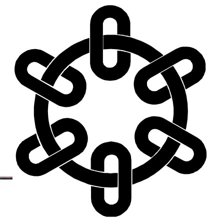
We find the approach of leaving cross-group transactions at the price at which they were historically dealt with, as most relevant. Adjusting historical prices towards estimated fair values could potentially add more subjectivity to the combined financial statements, and moving towards pro forma information.

We agree that full disclosure should be made, as suggested in paragraph 6.5.4.

Q6.6
Do you agree with the presented specific disclosure requirements? Do you believe there should be other specific disclosure requirements? Please specify.

We agree with the presented specific disclosure requirements in paragraph 6.6.1.

Norsk RegnskapsStiftelse



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

Cc: EFRAG

Oslo, October 20st, 2011

Dear Sir/Madam

ED/2011/2: Improvements to IFRSs

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the Exposure Draft on *Improvements to IFRSs*.

This comment letter replaces our comment letter sent September 23rd. We ask you to please disregard our first comment letter sent September 23rd (CL11) and replace it with this letter.

In the past we have questioned some of the issues included in the Annual Improvements projects. Some of the issues we believe were too significant to be dealt with via the Annual Improvements project, other issues we believe were not urgent or significant enough to qualify for changes to IFRS through the Annual Improvements project. This time, we think the proposed changes in this exposure draft are appropriately addressed through Annual Improvements.

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, or related issues, further.

Yours faithfully,
Norsk RegnskapsStiftelse

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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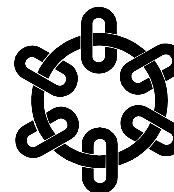


Appendix

Issue 1: IFRS 1 – *First-time Adoption of IFRSs* – Clarification of borrowing costs exemption, and
Issue 2: IFRS 1 – *First-time adoption of IFRSs* – Repeated application of IFRS 1

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We support the proposed changes to IFRS 1.D23 and IFRS 1.39M. Further we support the intention behind the proposed IFRS 1.2A. However, we have concerns regarding the wording of the proposed paragraph 2A relating to financial statements that "did not contain an explicit and unreserved statement of compliance with IFRS". Our concern is that this text might be interpreted as a formalistic separation between entities that actually did not apply IFRS in its previous annual financial statements and entities that did apply IFRS but intentionally or unintentionally did not include an explicit and unreserved statement of compliance with IFRS. An unintentionally missing statement of compliance with IFRS is an error that should be corrected in accordance with the guidance in IAS 8, but should not lead to a forced use of IFRS 1.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.

Issue 3: IAS 1 – *Presentation of Financial Statements* – Clarification of requirements for comparative information

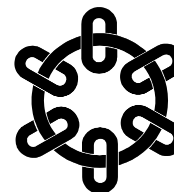
Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed changes.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.

Issue 4: IAS 1 – *Presentation of Financial Statements* – Consistency with the updated *Conceptual Framework*

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed changes.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.



Issue 5: IAS 16 Property, Plant and Equipment – Clarification of accounting for servicing equipment

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed changes.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.

Issue 6: IAS 32 – Financial Instruments: Presentation – Tax effect of distributions to holders of equity instruments

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed changes.

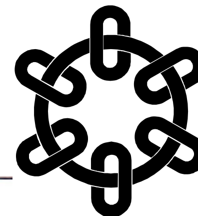
Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.

Issue 7: IAS 34 *Interim Financial Reporting* – Segment information for total assets

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed changes.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?
We agree with the proposed transitional provisions and effective date.

Norsk RegnskapsStiftelse



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

Cc: EFRAG

Oslo, November 29, 2011

Dear Sir/Madam

Agenda Consultation 2011

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to respond to the International Accounting Standards Board's Request for Views on its Agenda Consultation 2011.

In preparing this comment letter, consideration has been given to the feedback received in the European outreach meeting on the agenda consultation held in Oslo on 1st of November 2011, in cooperation with EFRAG and with participation from the IASB[1].

We agree that developing financial reporting and maintaining existing IFRSs should be the two principal components of the Board's work and support the primary components of each identified in the Agenda Consultation. However, we would like to emphasise the following high level points to the Board's strategic direction in the coming years.

- We believe that the purpose and priority of the IASB in the foreseeable future should be to ensure the overall quality of financial reporting, and that the resource allocation of the IASB should reflect a strict focus on issues that directly fit into the objective of general purpose financial reporting. We do not believe that integrated reporting, country-by-country reporting, and electronic reporting and the extended use of XBRL fit this purpose.

- We continue to support principle based financial reporting standards and think the hurdle for when to issue narrowly scoped or industry specific IFRSs should be high. Standards based on fundamentally robust principles will hopefully reduce the need for narrowly scoped standards or interpretations.

The *Conceptual Framework* is critical to provide a clear set of principles to underpin the individual standards, which is crucial to the acceptance of IFRS as a set of high-quality financial reporting standards. Hence, we urge the IASB to increase the progress on the

[1] http://www.efrag.org/Front/p233-1-272/European-outreach-meetings-on-the-IASB-agenda-consultation.aspx

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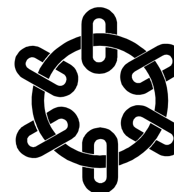


development and refinement of the *Conceptual Framework,* including developing a presentation and disclosure framework.

We have identified and would especially like to draw the attention of the IASB towards the following standard-level projects, which we experience to be of particular interest and importance in our economic environment.

- **Extractive industries** – We are not entirely convinced that the business activities, risks and uncertainties of extractive activities are sufficiently different from other activities to require a separate IFRS. Rather, we would suggest that the IASB as a first step consider extractive industries as part of a comprehensive project on intangible assets.

- **Rate-regulated activities** – We strongly believe that the IASB should approach this issue in a much broader and more comprehensive manner than what was proposed in ED/2009/8 *Rate-regulated Activities*. We propose that this issue is included in a comprehensive project on intangible assets.

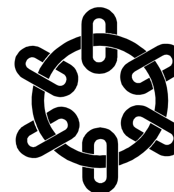
- **Agriculture** – We believe this issue should be added to the agenda. However, we disagree with limiting the scope of the project to bearer biological assets. Rather, we believe it is time for a comprehensive review and a full public exposure of the fundamental principles of IAS 41.

- **Post-employment benefits (discount rate)** –We believe the requirement in IAS 19.78 to use the market yield on government bonds where there is no deep market for high quality corporate bonds is a rule based approach with little conceptual merit that has the effect of reducing comparability between entities and thus compromise the quality of financial reporting.

Our comments to the detailed questions are laid 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, or related issues, further.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



Question 1 — What do you think should be the IASBs strategic priorities, and how should it balance them over the next three years?

Question 1(a)

Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

We agree that developing financial reporting and maintaining existing IFRSs should be the two principal components of the Boards work. We also support the basic components of the strategic areas that the IASB has identified as the drivers of its work.

Question 1(b)

How would you balance the two categories and five strategic areas? If you have identified other areas for the IASBs agenda, please include these in your answer.

Strict focus on overall quality of financial reporting

We believe the priority of the IASB in the foreseeable future should be to ensure the overall quality of financial reporting and that the resource allocation of the IASB should reflect this priority. Furthermore, the IASB should be very cautious not to extend their agenda to issues that do not directly fit to the objective of general purpose financial reporting, and which is not directly related to the overall quality of financial reporting. Thus, at this stage, we do not want the IASB to dedicate resources to areas such as integrated reporting, country-by-country reporting (which we see as more of a regulatory than a financial reporting issue) or electronic reporting and the extended use of XBRL. Further, we also believe resources allocated to research on these topics should be limited.

Conceptual framework

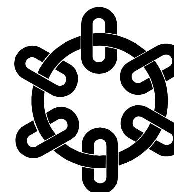
We believe it is important that the IASB prioritise and increase the progress on the development and refinement of the conceptual framework. The conceptual framework is critical to provide a clear set of principles to underpin the individual standards, which we find to be crucial to the acceptance of IFRSs as a set of high-quality financial reporting standards. Hence, we believe the IASB should dedicate a significant amount of resources to the *Conceptual Framework for Financial Reporting* as resources are released from the existing priorities (mainly the four on-going MoU-projects).

Presentation and disclosure framework

We agree that presentation and disclosure are significant issues and that a framework should be developed on these issues. However, even though these projects are somewhat related, we consider presentation and disclosure to be two distinct issues which could be initiated and addressed separately.

In our view, presentation cannot be addressed until the conceptual work on performance (in particular, the conceptual basis for presentation of items within profit or loss or other comprehensive income) has been completed. Thus, we believe the IASB should address the fundamental issue of performance before proceeding with the development of a framework on presentation.

We find a disclosure framework both to be critical and urgent. This framework will hopefully assist the IASB in developing consistent and appropriate disclosure requirements across



IFRSs, and provide additional guidance for preparers to consider in determining which disclosures to include in their financial statements. Hence, we believe that a disclosure framework is needed to ensure that financial statements are clear and concise while of high quality, contain more meaningful information and less irrelevant detail, and thereby serve better the needs of users. Existing disclosure requirements could also be assessed against this framework to identify disclosures which should be either amended or eliminated.
We do not consider that consolidating all disclosure guidance into a single IFRS (as proposed in the Agenda Consultation) would in itself achieve the necessary improvements in that guidance.

Hopefully, addressing presentation and disclosures as separate projects will enable the IASB to achieve progress on the disclosure framework which would not be possible if these projects are to be carried out as one project.

Standard-level projects

We believe that the IASB should always have a blend of standard-level projects, narrow-scope amendments and research activities on its agenda. To achieve this, it is important that the number of projects on the IASBs agenda is limited and as a consequence, the Board has capacity to address new and emerging financial reporting issues.

Question 2 — What do you see as the most pressing financial reporting needs for the standard-setting action from the IASB?

Question 2(a)

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

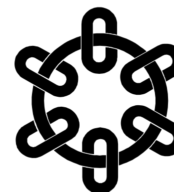
Question 2(b)

Adding new projects to the IASBs agenda will require the balancing of agenda priorities within the resources available. Which of the projects previously added to the IASBs agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects and why? Which of the projects previously added to the IASBs agenda but deferred do you think should be reactivated, and why? Pleas link your answer to your answer to question 2(a).

As stated in our response to Question 1, we believe that in planning its work on the development of financial reporting, the IASB should prioritise work on developing the *Conceptual Framework* and beyond that should maintain a balanced portfolio of research, standard-level and narrow-scope projects.

We have identified and would especially like to draw the attention of the IASB towards the following topics, which we experience to be of particular interest and importance in our economic environment. By this we do not express any opinion about the order of priority for the IASB, neither of the projects that we indicate nor of the other projects mentioned at page 14 in the consultation document.

Extractive activities



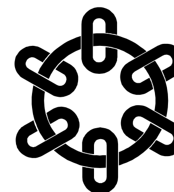
We reiterate the comments made in our comment letter to the DP/2010/1 *Extractive Activities* where we state that we are generally in favor of principle based financial reporting standards and think the hurdle for when to issue industry specific IFRSs, should be high. We are not entirely convinced that business activities, risks and uncertainties of extractive activities are sufficiently different from other activities to require a separate IFRS. Rather, we would guess that at least some of the issues that were raised in the DP/2010/1 *Extractive Activities* could be addressed based by a principle based standard on intangible assets. Hence, rather than adding a separate project on extractive industries, we would suggest that the IASB as a first step consider initiating a comprehensive project on intangible assets, enabling the IASB to reconsider the boundaries of which sources of value are recognised in financial statements and which are not. In reconsidering these boundaries, consideration should be given to significant areas in which it is sometimes argued that the value of a business is not faithfully represented by its financial statements, including extractive industries and rate regulated activities. Hence, we do not believe that the objective of a comprehensive project on intangible assets should be reduced to addressing the inconsistency between purchased and internally generated intangible assets. Rather, a we believe that a thorough assessment of the fundamental principles of intangible assets should be carried out with an aim to develop a robust and principle based standard which could be used in general to the accounting for intangible assets. We acknowledge that separate standards or interpretations might still be needed on certain issues even after reconsidering the accounting for intangible assets. However, a fresh look at the fundamental principles on these issues will hopefully reduce the need for industry specific standards and interpretations on at least some of the issues related to subjects such as extractive industries, rate regulated activities and emission trading schemes.

We generally support initiatives which promote greater transparency of payments to governments. We would, however, question using IFRSs as entry-points for addressing country-by-country reporting issues. We are very concerned about potentially mixing objectives of financial statements with any other valid and commendable objectives (e.g. those of various special interest organizations). As such, we seriously question whether such information fits to the objective of general purpose financial statements. We believe IFRSs should continue to be developed on the basis of the objectives in the Conceptual Framework, and believe that country-by-country reporting is more of a regulatory issue than a financial reporting one. Hence, we do not support the IASB adding the country-by-country reporting issue to its agenda.

Rate regulated activities

Rate regulated activities is a controversial and hot topic within certain industries (such as for power distribution entities) in Norway. Even though this is an industry specific issue in Norway, the issue is pervasive internationally, and an area where many find that financial statements currently do not faithfully reflect the economic substance of the business. Hence, we do not consider this an issue of whether the IASB should add the issue to its agenda, but how it should be done.

We would not support the IASB proceeding with the narrowly and, in our view, artificially scoped standard proposed in the ED/2009/8 *Rate-regulated Activities.* Although regulatory methodologies and calculation methods may be different in different jurisdictions and different industries; they pursue the same objectives; to guarantee the distribution companies an adequate return, and to provide the distribution network users



with a reliable service at a reasonable fee. Hence, we strongly believe the IASB should approach this issue in a broader and more comprehensive manner than what was proposed in the 2009 exposure draft.

Furthermore, as mentioned above (see extractive industries), and repeatedly in our comment letters to various projects such as ED/2009/8 *Rate-regulated Activities* and DP/2010/1 *Extractive Activities),* we generally favor principles based financial reporting standards and think that the hurdle for when to issue narrowly scoped standards or industry specific standards should be high. Hence, we propose that the IASB include rate regulated activities as part of a comprehensive project on intangible assets.

Agriculture

We agree with those who believe that the IASB should add a project on IAS 41 to its agenda. However, we disagree with limiting the scope of the project to bearer biological assets.

The fundamental principles of the standard are controversial in Norway, and have particularly been criticised strongly from the fish farming industry. The standard was prepared at a time when due process was not as thorough as it is now, and when IAS was still concentrated on only a few regions internationally. Hence, we believe it is time for a comprehensive review and a full public exposure of the fundamental principles of IAS 41.

Post-employment benefits – discount rate

The amendment proposed in ED/2009/10 *Discount Rate for Employee Benefits* is of particular importance to Norwegian entities, as there is no deep market for high quality (AA – rated or similar) corporate bonds in Norway. The availability of AA-rated corporate bonds nominated in NOK is also very limited. Hence, Norwegian entities are forced by IAS 19.78 to use the market yield on government bonds to discount the pension obligation. The market yield of Norwegian government bonds is low relative to most other corporate or government bonds, due to the strong central government financing in Norway (net asset position). Thus, the requirement in IAS 19.78 means that Norwegian entities typically will report different amount of pension obligations in their financial statements, compared to similar foreign entities (in a country with a deep market for high quality corporate bonds) with exactly the same pension obligation.

We believe that the lack of such a bond market in itself cannot justify a different present value of the pension obligation ceteris paribus. Hence, we find IAS 19.78 to be a rule based approach with little conceptual merit, that has the effect of reducing comparability between entities and thus compromise the quality of financial reporting. Therefore, we urge the IASB to reconsider this issue either as a narrow scope amendment or through a more comprehensive revision of parts of IAS 19 (if the IASB believe that will be necessary).