Norsk RegnskapsStiftelse

European Commission
Alain Deckers
DG-FISMA
Unit B3 Accounting and financial reporting
1049 Brussels
Belgium

18 July 2018

Dear Mr Deckers,

Re: EC public consultation with respect to the Fitness check on the EU framework for public reporting by companies

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board - the NASB) would like to comment on the public consultation of the European Commission with respect to the "Fitness check" for EU's framework for public reporting.

The NASB has also co-signed a joint comment letter from the National Accounting Standard Setters in Europe, and we refer to this letter for the overall response as it relates to the IFRS regulation, non-financial information and digitalisation. In short, we do not see the need for a review of the IFRS regulation at the current stage, and do not support a change where EU is provided with a tool that in the end may establish a European version of IFRS, and thereby losing the thrust in the direction of one true global accounting language to communicate financial information.

In the enclosure to this letter we will summarise our answers to the questions raised as it pertains to the financial reporting framework applicable to all EU companies (Question 14,15, 17 and 18) the IFRS regulation (Question 19-24), and bring forward a suggestion for change of the reporting frequency (Question 30). To be clear, all our answers have also been submitted through the online questionnaire: (http://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en)

You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

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Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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Answers to the questionnaire # 14,15, 17 and 18

14. Do you agree that the EU approach is striking the right balance between preparers' costs and users' needs, considering the following types of companies?

Medium-sized: 4
Small: 4
Micro: 1

Regarding micro-companies we consider the Accounting Directive to allow to few real simplifications for these enterprises. If the puropose is simplification for micro-companies we think the regulation should diverge more compared to small-companies.

15. In general, should the EU strive to use a single definition and unified metrics to identify SMEs across all the EU policy areas?

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In relation to strive to use a single defintion and unified metrics, we think that contract workers have to be considered in the same manner as employees.
In addition, it is a need to clarify how to treat different types of income while considering the metrics/thresholds.

17. Is there any other information that you would find useful but which is not currently published by companies?

No

18. Do you think that the EU framework should define and require the disclosure of the most commonly used alternative performance measures?

1

Alternative performance measures such as EBITDA is not defined by the IASB. We therefore cannot see the arguments for the EU to define performance measures in the financial reporting framework.

Answers to the questionnaire # 19-24

19. Given the different levels of commitment to require IFRS as issued by the IASB around the globe, is it still appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS?

Yes. The 'problem' of level playing field is not deemed relevant, as financial reporting at large are on the pathway to convergence. We have no experience from entities facing difficulties in the capital markets due to the use of IFRS.

20. Since the adoption of IFRS by the EU in 2005, topics such as sustainability and long-term investment have come to the forefront of the regulatory agenda. Is the EU endorsement process appropriate to ensure that IFRS do not pose an obstacle to broader EU policy objectives such as sustainability and long-term investments?

Yes.

21. How could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

Other: We are not convinced that the accounting language used is capable of affecting decisions within the business environment that is contrary to the common good in relation to sustainability and long-term investments. As an example: Measurement and presentation of external effects related to negative environmental impact is outside the boundary of the financial statements for the entity, but if governments impose levies or subsidies to entice entities to sustainable solutions they should take into consideration how these levies or subsidies are recognised and measured in the financial statements to ensure they are designed with the optimal communicative effect.

22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive. By requiring that, in order to be endorsed, any IFRS should not to be contrary to the true and fair view principle, a link has been established between IFRS and the Accounting Directive. However, the principle of true and fair view is not laid down in great detail in the Accounting Directive, nor is it underpinned by e.g. a European Conceptual Framework that would translate these principles into more concrete accounting concepts such as recognition and measurement, measurement of performance, prudence, etc. Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

No

23. The EU has not endorsed the IASB Conceptual Framework for Financial Reporting. The conceptual framework is a set of concepts used to develop IFRSs but can also be helpful in interpreting how IFRS standards have to be understood and applied in specific circumstances. This could enhance a common application of IFRSs within the EU.

Should the EU endorse the IASB Conceptual Framework for Financial Reporting?

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Please explain your response and substantiate it with evidence or concrete examples.

We are not sure that endorsing the CF will make a substantial change to the current legal situation. The CF is implicitly used in EU already by reference from IAS 8 when the entities have to establish accounting policies. However, if the alternative is to develop a separate framework for EU, we strongly support endorsing the Conceptual Framework of the IASB instead. We are not able to foresee the legal consequences of endorsing the CF, and are worried that endorsing the CF into the regulation may change the status of the CF to a more *authoritative level than it currently has and create tension between the standards and the CF, thereby opening up for more solutions and increase diversity.*

24. Contrary to the Accounting Directives the EU endorsed IFRSs do not require companies to present financial information using a prescribed (minimum) lay-out for the balance sheet and income statement. Mandatory use of minimum layouts could enhance comparability of human readable financial statements.

Do you agree with the following statement?
Prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS.

2 Mostly disagree

Please explain your response and substantiate it with evidence or concrete examples.

Prescribing a minimum layout for the primary statements would be difficult to achieve without interpreting certain aspects of IAS 1 and introduce a risk of putting similar technical subject matters into one line item, but where the substance of the matter may vary between the entities according to their business model.

30. Should anything be done to improve public reporting by listed companies (documents, information, frequency, access, harmonisation, simplification)?

According to the accounting directive, the half-year report is mandatory for listed companies. Companies may elect to report more frequently, but the half-year report is nevertheless mandatory. This means that reporting three times a year is not possible. We argue that to provide more information should be allowed. As an example: Companies in our territory in general reports on the calendar year, and thus often significantly affected by whether Easter, where we have a long holiday season, is in March or April. By allowing companies to report every four months, this volatility that affects both first and second quarter is eliminated. Also, preparing the interim statements in spring and late autumn is more practical as it moves the closing process out of typical vacation periods. It may be that reporting two four months' periods may require the same level of involvement for the Board for both reports as for the current half-year report, but this may be acceptable for companies that want to move to this reporting frequency.