

The Swedish Financial Reporting Board

RFR-rs 2021:09

International Accounting Standards Board  
Columbus Building,  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Board members,

## Re: Discussion Paper DP/2020/2 Business Combinations under Common Control

The Swedish Financial Reporting Board is responding to your invitation to comment on the Discussion Paper DP/2020/2 Business Combinations under Common Control.

### **Measurement of the assets and liabilities in the receiving company when applying the book-value method**

When applying the book-value method to a business combination under common control the Board reached the preliminary view that the receiving company should measure assets and liabilities received using the transferred company's book values.

In our view, this may in certain/some business combinations under common control be appropriate for instance when the transferred company applies IFRS in the legal entity (separate/individual accounts). However, Swedish companies are not allowed to apply IFRS in a legal entity. Hence, if the transferred company is not allowed to apply IFRS, the standard should allow for a conversion from local standards to IFRS. This in order to apply consistent accounting policies within the group.

Given the different legal environments and different rationales for a business combination under common control, we propose that the IASB should not prescribe which book-values to be used. The reporting entity shall apply the most appropriate book-values and disclose the reasons for why these was applied.

### **Providing pre-combination information**

When using a book-value method for business combinations under common control the Board has also reached the preliminary view that the receiving company should include in its financial statements the assets, liabilities, income and expenses of the transferred company prospectively from the combination date without restating pre-combination information.

# Rådet för finansiell rapportering

We think that restating pre-combination information should also be allowed in some situations, for example when the restructuring is part of a preparation of an Initial Public Offering (IPO) as it provides valuable information for users and also mandatory in some jurisdictions. We assess the risk of abusing an allowed alternative for providing restated information as low and in our view the benefit of the information will outweigh the costs of providing the information.

## Requirements for application of the acquisition method

Finally, we believe that the Board should reconsider its preliminary view that the acquisition method should be required only if the receiving company's shares are traded in a public market to also include companies who has listed debt instruments. Information needs for debt investors are in many cases similar to information needs for equity investors. We therefore find such a widened requirement in this specific case reasonable.

We have noticed that IASB has issued *ED/2021/7 Subsidiaries without Public Accountability: Disclosures*. We propose that IASB considers aligning the definitions used in that ED with the definitions used in the *Business Combinations under Common Control* project.

If you have any questions concerning our comments, please address our Executive member Carina Edlund by e-mail to: [Carina.Edlund@radetforfinansiellrapportering.se](mailto:Carina.Edlund@radetforfinansiellrapportering.se).

Stockholm, 31 August 2021

Yours sincerely

  
Anders Ullberg