The Nordic Federation of Public Accountants

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6th February, 2013

Dear Klaus-Heiner Lehne,

Recast of the 4th and 7th Accounting Directives

I am responding on behalf of the Nordic Federation of Public Accountants (NRF), which represents the recognised accounting bodies in the Nordic region (Denmark, Finland, Iceland, Norway and Sweden). Each accounting body in the region is autonomous and consequently may also chose to respond individually to you and others on this issue. The views expressed in this letter are the views of NRF only.

NRF represents six accounting organisations and approximately 18.000 practicing accountants and auditors, amounting to virtually 100% of the auditing profession in the Nordic region.

Even though Iceland and Norway are not directly governed by EU law, both countries are nevertheless obliged to introduce and apply a wide range of EU based legislation as they are parties to the Agreement on the European Economic Area, which entered into force on 1 January 1994.

We would like to bring to the attention of you, as well as the members of the Committee on Legal Affairs, the following concerns that we share:

Fair value accounting and revaluations of certain assets should continue to be permitted as a Member State option

a) Use of fair value accounting

We note that it is proposed to remove the provisions allowing Member States to permit or require the adoption of fair value accounting as an alternative measurement base for financial instruments and certain other fixed assets (deletion of parts of Art.7) .

In this respect, it is important to note that, since the 2005 IAS Regulation requiring the use of IFRS for consolidated accounts of publicly-traded companies came into force, Member States have also been able to permit or require the application of IFRS for annual accounts (financial statements) of publicly-traded companies and of non publicly-traded companies.

This means that Member States can already permit or require for all companies, which fall under the scope of the 4th and 7th Directives, the use of the full set of IFRS which permits the use of fair value accounting as a measurement base for certain relevant account balances.

In some cases, fair value accounting, which reflects current market conditions, would provide more relevant information about the value of the underlying asset or liability than historical cost accounting, for instance for the valuation of investment property portfolios and financial instruments held for trading on a liquid market.

In order to facilitate comparability and thus increase the usefulness of financial statements and information, we recommend retaining a Member State option permitting or requiring fair value accounting as a measurement base for certain relevant account balances.

NRF therefore supports permitting fair value accounting through the Profit and Loss account (thus maintaining art. 7.1b in full).

b) Use of revaluations

In addition, Revaluations through equity (other than fair value adjustments explained above) of properties and certain other integral fixed assets such as a domicile property and/or a factory building, which is permitted by the IFRS (IAS16) should also be permitted in the Directive. We suggest therefore, that Art. 6 should be retained.

We believe that the value of financial reporting is often enhanced when revaluations are applied in an judicious, objective and independent way. The purpose of revaluations is not to inflate the value of assets but to reflect a more accurate rate of return in the business concerned, where the use of such assets are part of the production and earnings base. Many countries have specific provisions that are designed to safeguard the integrity of the independent valuation process, such as the use of independent qualified valuation expert as well as periodic reviews by the oversight authorities.

c) IAS compliance

We would also like to point out that a retention of Art 6 & 7 in the revised text of the Accounting Directive would also serve to ensure that the Directive continues to be in compliance with IRFS, including IFRS for small and medium sized entities. This will allow those Member States and others subject to EU legislation, the possibility of applying IFRS for these types of entities, should they choose to do so.

2) Definition of Production Cost

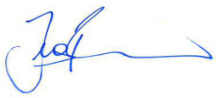
We would also like to draw to your attention the inappropriate mandatory extension of the definition of "production cost" in Art. 2 (7), cf. the JURI report, amendment 28.

In the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) nearly all small companies only include direct costs in the cost price of inventories etc. since it is seen to be too burdensome to also identify, measure and add indirect cost to each item of the inventory or own produced machinery. The inclusion of indirect costs would in many cases be subjective and arbitrary as many small companies do not have good internal registration systems.

Furthermore, including indirect production costs are not seen as being very relevant for users of financial statements of very small companies. In Denmark it is only mandatory for medium-sized and large companies to include indirect production costs in each item of inventories. Most small companies only include direct production costs.

We would be pleased to further discuss our comments with you. If you have any questions regarding this letter, please contact Jens Røder at + 45 33691065 or e mail jr@nrfaccount.com

Yours sincerely,



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