Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116 www.fasb.org Chris Barnard Germany

24 July 2013

- File Reference No. 2013-230
- Presentation of Financial Statements (Topic 205)
- Reporting Discontinued Operations

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Presentation of Financial Statements (Topic 205); Reporting Discontinued Operations.

Some stakeholders have raised concerns that too many disposals of assets qualify for discontinued operations presentation under Subtopic 205-20, Presentation of Financial Statements—Discontinued Operations. This results in financial statements that are not decision useful for users and in higher costs and efforts for preparers. The amendments in this proposed Update would address these issues by changing the criteria for reporting discontinued operations, whilst better aligning the FASB's and the IASB's reporting requirements for discontinued operations.

I agree that the current definition of discontinued operation captures too many disposals of assets, many of which are trivial and / or recurring in nature. Therefore I strongly support that the results of operations of a component of an entity or a group of components of an entity may qualify for discontinued operations reporting only if they represent a separate major line of business or major geographical area of operations. This would ensure that only those disposals representing major strategic shifts in operations would be reported as discontinued operations, which is reasonable, pragmatic, more cost-efficient and would provide more meaningful information to users. However, I am not yet convinced that the proposed new disclosures would always provide meaningful information. The scope of the proposed disclosures is too broad and would lead to increased costs and burden on reporting entities for little additional reporting benefit.

¹ For example, individual properties in the real estate industry.

Answers to other specific questions raised by the FASB

Question 1: Do you agree with the proposed definition of discontinued operations? Is it understandable and operable?

Yes, I agree with the proposed definition of discontinued operations. It is flexible, understandable and operable, and is better aligned with IFRS.

Question 2: Do you agree that the continuing involvement criterion in the existing definition should be eliminated? Why or why not?

No. I would recommend not to eliminate the criterion that the entity will not have any significant continuing involvement in the operations after the disposal transaction. Eliminating this criterion would not be internally consistent. However, I would remove the "significant" condition, and support the proposed disclosures about the entity's continuing involvement with a discontinued operation.

Question 3: Do you agree with the scope of the amendments in this proposed Update? Do you agree that disposals of equity method investments and oil and gas properties that are accounted for using the full-cost method of accounting should be eligible for discontinued operations presentation if they meet the criteria to be reported in discontinued operations?

No. The cost and effort required to implement this outweighs the benefits. I do not believe that this will provide more meaningful information to users.

Question 4: U.S. GAAP and the amendments in this proposed Update do not specify whether an entity should reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification. Should an entity be required to reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification? Why or why not?

There is diversity in practice here, which needs to be addressed.

Question 5: Do you agree with the disclosures required for disposals of individually material components of an entity? If not, which disclosure or disclosures would you eliminate or add and why?

I broadly agree with the proposed disclosure requirements. However, I would support less burdensome disclosures for disposals of individually material components of an entity that do not meet the definition of a discontinued operation. For example I question whether disclosure of prior period pretax profit or loss would provide meaningful information to users. Simplifying these disclosures would reduce costs and unnecessary reporting burden.

Question 6: Do you agree that businesses held for sale on acquisition should be excluded from certain disclosure requirements? Why or why not?

Yes, I agree that businesses held for sale on acquisition should be excluded from certain disclosure requirements. This would reduce costs and unnecessary reporting burden.

Question 7: Do you agree with the prospective application transition method? Why or why not?

Yes, the prospective application transition method is suitable here. Retrospective transition would add considerably to cost, complexity and reporting burden without providing more meaningful information to users of financial statements.

Yours faithfully

C.R.B.

Chris Barnard