



Association pour la participation des
entreprises françaises à l'harmonisation
comptable internationale



— AFEP —

ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

Mr Jonathan Faull,
Director General
European Commission
Rue de la Loi 200
B1049 Bruxelles
Belgique

Paris, July 12, 2011

Re: Effective Dates for Application of IFRSs on Consolidation and Related Topics

Dear Mr Faull,

As you are aware, the IASB has recently published the following set of new or amended standards: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Standards and IAS 28 Investments in Associates and Joint Ventures. These standards all become effective for IFRS-compliant entities for periods beginning on or after 1st January 2013.

We are writing to request that, in the course of the endorsement process for the application of these standards in the European Union (EU), you consider setting the date for mandatory application as for periods beginning on or after 1 January 2015, and permitting earlier application. The reasons for this request are set out below.

Although our members have been following closely the evolutions of these standards through the various stages of the due process, it is only once the IASB has definitively completed its decision-making process that they as a preparer entity can purposefully begin to understand, analyse and interpret the requirements of the individual standards and how the various standards in this set of consolidation standards relate to each other. The results of this work have to be confirmed with the entity's auditors to ensure that no fundamental disagreements of principle arise later in the process. The entity will then have to define how it will apply the principles to its own investments given the circumstances in which it operates.

Once a common understanding of the principles and their application has been achieved, an entity must review the whole of its portfolio of interests in other entities, irrespective of the previous accounting requirements for those interests, and determine for each what the nature of the interest is under the new requirements. The conclusions must again be agreed with the auditors and, for those interests for which the new requirements impose a change of classification, historical data must be collected or estimated to allow the financial statements to be appropriately restated as if the new standards had been in place at the time of the transactions. Consolidating an investee which was not previously consolidated requires acquisition accounting as provided for by IFRS 3 Business Combinations.

This necessitates the obtaining of historical information about, for example, fair values and management intent, and can be very time-consuming.

In addition to the above, the decisions to be made by entities about consolidation may be modified by the future standard on Investment Entities, the Exposure Draft for which is to be published in the near future [has just been published]. This proposed standard is expected to amend IFRS 10 and the ED will propose an effective date of periods beginning on or after 1st January 2013. Furthermore, there may be some interaction between the consolidation standards and IFRS 9 Financial Instruments, which we believe will not be endorsed for use in the European Union until it is complete.

In view of the elements discussed above, we are of the opinion that entities should be allowed an extended period of time to prepare for the adoption of these consolidation-related standards and those which may have interaction with them. We would therefore suggest that application of these standards become mandatory within the European Union no earlier than for periods beginning on or after 1st January 2015.

However, other European entities may have a variety of valid reasons to apply these standards at a date earlier than the mandatory date, and we think that it is desirable that the adoption of the standards in the EU should retain this flexibility. For example, European entities which file financial statements as foreign registrants in the USA will have to apply IFRS as issued by the IASB in those financial statements. In order to allow them to avoid the confusing and potentially onerous exercise of restating financial statements for this purpose, we would suggest that earlier application of the standards be permitted but not required in the European Union.

Finally, although we recognise that the endorsement process may require some time, especially with respect to the necessary effect studies, our members suggest that it would be very helpful if, subject to the final endorsement decision, the European Commission would make known its views about the effective date of the standards as soon as possible, for example, before the end of 2011, in order to allow entities to schedule their plans for adoption.

Should you wish for any supplementary comment or explanation, please do not hesitate to contact us.


Yours sincerely,

ACTEO

Patrice MARTEAU
Chairman

AFEP

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