



**European debates around standard setting...**

Considered for a long time to be a technical subject, international accounting standard setting has taken on a strategic dimension, particularly since the 2008 financial crisis. A consequence of this evolution has been to place the question of the influence of the EU in the standard-setting process and the effectiveness of its IFRS endorsement mechanism at the heart of the European debate.

The MEDEF, which has always considered these matters to be strategic, anticipated the mission entrusted to Philippe Maystadt by asking Michel Pébereau to lead a workgroup to reflect on these issues in the names of MEDEF and AFEP, with the support of ACTEO.

We were therefore able to present Philippe Maystadt with some concrete proposals for the reform of the EU's IFRS endorsement mechanism, with a primary objective of being much more effective in influencing the work of the IASB by intervening upstream of the adoption of the standards and reserving the possibility, as a last resort, of modifying an individual standard.

The recommendations of the report presented by Philippe Maystadt are to a large extent consistent with our proposals, with the exception of this last point (although the door has been left open to modification). We regret, however, that at this stage the proposed transformation of EFRAG does not guarantee the balance necessary for real effectiveness between the representation of the European private sector and the new arrivals, that is, the interested parties from the public domain, including the national standard setters.

The MEDEF, with ACTEO and its members, is resolved to continue to defend the interests of French companies in these future reforms and to work towards a strengthening of Europe's influence in these debates.

**Agnès Lepinay**  
Directrice des Affaires Economiques et Financières - MEDEF  
ACTEO's Board of Governors



**IFRS NEWS**

Over the last few months the Board has been concentrating on the future standards for Revenue and Financial Instruments (Phase 1 – Classification and Measurement / Phase 2 – Impairment). This explains why there have been so few publications recently.

The IASB has announced two important texts:

- ➔ The Conceptual Framework: a Discussion Paper which covers fundamental topics such as the presentation of the income statement, the use of OCI and recycling, the recognition criteria for assets and liabilities, the measurements bases, and the objectives and content of notes to the financial statements. In parallel the IASB announced a plan for improving the presentation of financial information.
- ➔ Insurance contracts: a new exposure draft presenting some welcome developments compared with the previous project, but which still requires considerable revision, in particular in order to permit an appropriate representation of the strategy for long-term asset management, which is a foundation-stone of the insurance business model.

**ACTEO NEWS**

**➔ June 2013**

Acteo organised a meeting between Philippe Danjou (IASB) and ten CFO's to allow them to express their fears and strong reservations about the Lease accounting project.

The Association held its Annual General Meeting and appointed two new members to the Board: Sandrine Holler (Safran) and Jean-Michel Etienne (Publicis).

**➔ July 2013**

Acteo requested EFRAG to reject the IFRIC Interpretation 21 relating to the accounting for Levies (taxes other than income taxes). However, EFRAG produced a favourable endorsement advice report, and Acteo has therefore initiated a survey among its members to help establish the range of taxes that could come within the scope of IFRIC 21.

**➔ October 2013**

Acteo members analysed and provided comments to the AMF on its draft set of recommendations for 2013 year-end reporting.

Patrice Marteau took part in the debate "Annual Reports – How to increase their usefulness while reducing their volume?" at the Les Echos-PwC Annual Accounts Conference.

**➔ Novembre 2013**

Acteo welcomed Philippe Danjou (IASB) and Peter Clark (IASB Director of Research) to exchange views on the revision of the Conceptual Framework.

Olivier Poupart-Lafarge, member of the College of the AMF and the ANC, presented to the Acteo monthly general meeting a summary of the AMF's final recommendations for year-end accounts.

Acteo is a partner of the KPMG/AGEFI Annual Accounts Conference.

**FUTURE IFRS PUBLICATIONS**

	2013 Q4	2014 Q1	2014 Q2
<b>IFRS 9 Financial Instruments</b>			
Classification and Measurement			Publication IFRS
Impairment			Publication IFRS
General Hedging Model	Publication IFRS		
Macro-hedging (Management of Portfolio risks)		Discussion Paper	
Insurance contracts		Redeliberations	
Leases	Redeliberations		
Revenue		Publication IFRS	



The latest comment letters (co-signed with the MEDEF and AFEP)

### ➤ Leases project (ED2)

Acteo reiterates its concerns about a text which is too complicated and whose advantages over the current standard have not been demonstrated.

ACTEO proposes that the project be suspended and that the IASB deals with the needs of the users through a revision of the disclosure requirements.

### ➤ ESMA Consultation on its enforcement procedures

In its response ACTEO recommended that ESMA:

- Takes steps to ensure that the level of disclosures required in the Notes is fully harmonized for all companies across Europe;
- Is careful to limit its recommendations strictly to the essential of IFRS requirements in order not to handicap European companies compared with other accounting regimes (such as US GAAP), particularly in the area of sensitive information;
- Avoids any comment or recommendation which comes within the remit of the body responsible for the interpretation of IFRS.

### ➤ IAS 19 – IFRIC Rejection about the discount rate

ACTEO supports the proposal not to provide precise guidance in the standard about the meaning of “high quality” bonds.

## ➤ Maystadt Report: A reform of the European endorsement mechanism?

In early 2013 Michel Barnier (the European Commissioner for the Internal Market and Services) named Philippe Maystadt as special advisor with the objectives of enhancing Europe's contribution to IFRS and improving the governance of the European bodies which facilitate the adoption of those standards by the European Union. The first recommendations were proposed in a draft report which incorporated to a large extent the conclusions and proposals of the MEDEF-AFEP work group chaired by Michel Pébereau, to which ACTEO contributed substantially.

The draft report supports, first of all, the use of a single regime of high-quality standards and emphasises that all the interested parties recognise that IFRS has improved the quality, comparability and credibility of financial reporting. One of the principal proposals of the report is a reform of EFRAG to facilitate the emergence of a single point of view and thus to reinforce the legitimacy of the views expressed by the European Union. The principal axes of the proposals related to the changing of the governance framework of EFRAG are the following:

- ➔ The replacement of the current Supervisory Board with a high-level Board with both a technical and economic dimension to it, which would approve the comment letters sent to the IASB and the endorsement advice letters. This Board would be composed of three institutional members (European Commission, ESMA and BCE), four private members (BusinessEurope, FBE, FEE and Users) and six national standard-setters (4 “big” and 2 “small”).

*In reaction to this project, although they acknowledge the current qualities of EFRAG, MEDEF—AFEP are nevertheless in agreement about the need for a fundamental reform. MEDEF-AFEP support in particular the proposal to add to the role of technical analysis currently assured by EFRAG the further dimension of an analysis of the economic impact of the IASB's projects. However, MEDEF-AFEP emphasises that this new function should be the responsibility of a body distinct from that of the TEG in order to allow the latter to maintain its technical competency.*

*Moreover, MEDEF-AFEP is concerned by the disproportionate number of representatives of the national standard-setters in the proposed board and the small number of seats reserved for the private sector.*

- ➔ A reinforcement of the stability of the financing of EFRAG by means of a system of mandatory contributions from listed companies.
- ➔ Earlier intervention in the process by the ARC (Accounting Regulatory? Committee), with closer cooperation with EFRAG.
- ➔ The strengthening of the adoption criteria without going as far as to permit Europe to modify any standard.

*MEDEF-AFEP agree with the reinforcement of the adoption criteria, but regret that the possibility of modifying an individual standard has been rejected too quickly. This option, which would be a tool of last resort, would allow Europe to bring all its weight to bear in the process of developing standards.*

## ACTEO opinion poll of CFOs

The study carried out for the 15th anniversary of ACTEO highlighted the wide disparity in the knowledge and engagement of CFOs in the area of international accounting standards.

Following on from this, in order to better orientate our future activities, we thought it would be useful to sound out CFOs more closely about their interests and preoccupations in this area - an area which is becoming more and more controversial and political.

Of the sixty member companies, only one third responded: this confirms our finding that it is difficult to mobilise CFOs on these matters. In view of this low level of response, the conclusions we attempt to draw cannot be considered to be representative of what might be the views of the whole [of the target population].

Although IFRS in its current version remains globally satisfactory for 65% of the CFOs – mainly because of its global acceptance – the views of the CEOs are much more mixed. The principal criticisms made by the CFOs are the poor correlation between the standards and the entities' business models (54%), the instability of the body of standards (48%) and the complexity of implementation of the standards. These criticisms are all the stronger on the subject of the more recent projects.

Moreover, the impact of the standards on management decisions seems to have increased, with almost 25% of CFOs acknowledging that they have made strategic decisions on the sole consideration of the accounting consequences under IFRS.

You will find a detailed summary of the results of the study in *the* Annexe to this newsletter (in French).

 **Find more details  
and all the letters on  
[www.acteo.org](http://www.acteo.org)**