



IFRS NEWS

➤ Changes to IFRS to consider for financial reporting at end-June 2013

New or amended standards	Recognition / Measurement	Disclosure in Notes
Post-employment benefits (IAS 19)	✓ ⁽¹⁾	(2)
Fair Value Measurement (IFRS 13)	✓	✓
Financial instruments – offsetting (IFRS 7)		✓
Consolidation package (IFRS 10, 11, 12)	✓ ⁽³⁾	✓ ⁽³⁾

- (1) Beyond what is in the new standard, there will be no further guidance forthcoming from the IFRIC about the discount rate to be used at 30 June 2013 (see ACTEO News N°1).
- (2) There is a perceptible emerging trend for companies not to provide the full set of the new information required by revised IAS 19 at interim, but to wait for the full-year accounts instead.
- (3) Not mandatory at 30 June 2013, but early adoption permitted.

➤ NCI Puts: a success

The Interpretation developed by the IFRIC (which required the change in the gross debt to be taken to P&L) will not see the light of day after all. The IASB will reconsider all the ramifications around the topic.

➤ Revenue Recognition: final IFRS

The IASB is preparing to publish the new standard on revenue accounting. Assuming it is endorsed by the European Union, mandatory application will not be earlier than 1 January 2017. In the meantime, EFRAG will consult companies in order to assess its impact.

➤ Levies: final Interpretation

This text dealing with levies will lead [in many instances] to a disconnection between the period of recognition and the period to which it is relevant from the point of view of economics. It is mandatory from 1 January 2014.

➤ Composition of the ASAF, the "Accounting Standards Advisory Forum"

On 19 March the IFRS Foundation announced the membership of the ASAF, a consultative group aimed at rationalizing the communication channels between the IASB and the principal national or regional accounting standards bodies.

The European Commission was consulted by the Trustees on the composition of the European representation. For the first two years, Europe will be represented by EFRAG and three national standard setters (Germany, Spain and the United Kingdom).

It should be noted that Europe will be represented by one more member than initially envisaged.

ACTEO NEWS

➤ February 2013

Patrice Marteau et Jérôme Haas (ANC) presented a review of IFRS news at a lunch meeting organised by the Club of 30.

Laurence Rivat (member of IFRIC) met members of our association to present a review of the latest activity of the IFRIC.

➤ Mars 2013

Patrice Marteau took part in the conference on the topic «Can accounting principles be universal?» organised by the French Order of Accountants and the National Company of Auditors.

➤ Europe and IFRS

At the initiative of the MEDEF a workgroup has been set up under the chairmanship of Michel Pébereau to propose possible avenues for improving the influence of Europe in the IFRS Due Process. ACTEO participates in this group and has contributed to it a summary of the major criticisms that are addressed at recent IFRSs or projects under development.

With its projects on Leases and Revenue the IASB has targeted two subjects which are fundamental for companies

As a preparer, I wonder whether the complete reworking of these standards is useful and what the real objective is that the standard-setter is pursuing. Is the IASB still aiming for convergence with US GAAP ?

Moreover, the question of the cost and energy that will have to be dedicated to their implementation remains a real subject of preoccupation.

As far as "Leases" is concerned, I am worried about the general complexity of the future standard and the numerous uncertainties which persist and will make the understanding of the final text difficult, not to mention the challenge of explaining its impact to interested parties within the company.

In this respect, companies feel as though they are "held hostage" by a system which feeds itself on abstract and complex concepts, and with which it is increasingly difficult to maintain a dialogue.

This situation, which is developed further in "FOCUS", calls for a mobilisation of the financial community in response. ACTEO, with the help of its members, is determined to take part in this movement in order to make the voice of French companies heard.

Alain De Marcellus
Director of Finance Services - Capgemini
ACTEO's Board of Governors



➤ AMF : Commercially sensitive information

In 2012 ACTEO, MEDEF and AFEP addressed a letter to the President of the AMF to bring to his attention the increasing requirement for commercially sensitive information to be disclosed in accounts. Thirty Finance Directors supported this letter.

In response to this action, the AMF has created a workgroup made up of a range of interested parties, under the chairmanship of Olivier Poupart Lafarge.

ACTEO's membership of this group will enable companies not directly represented in the group to express their views on this important subject.



Latest Comment Letters (Co-signed by ACTEO with the MEDEF and AFEP) :

➤ **Novation of derivatives and continuation of hedge accounting** : ACTEO agrees with the pragmatic approach adopted by the IASB in permitting entities not to disqualify a hedging relationship if there is a change of counterparty in the case of a "novation". However, we request that the availability of this provision should not be limited to novations imposed by legislation or regulation.

➤ **IFRS 9 – IFRS 9 – Classification and measurement of financial instruments**: ACTEO encourages the Board to soften the criteria used for the amortised cost category but thinks that the IASB should place more weight on the Business Model as the principal category and less on the characteristics of the contractual cash flows.

ACTEO supports the creation of the new category of Fair Value through OCI, but would like to see a widening of the situations in which it may be used.

➤ **Equity accounting**

ACTEO draws attention to the relatively large number of issues identified for amendment and asks the Board to deal with them coherently within a single broad project.

- **Contribution of assets to an equity-accounted entity**: ACTEO thinks that all contributions of assets to an equity-accounted entity should be treated in the same way, irrespective of whether the assets constitute a "business" or not.

- **Equity method – share of other net asset changes**: ACTEO supports the idea of a pragmatic solution but does not agree that changes other than those with the other shareholders of the group should be accounted for in the group's equity. The use of OCI is therefore recommended in this instance

 **Find more details and all the letters on www.acteo.org**

➤ **The Conceptual Framework – Why should you be interested in it today ?**

Everyone is in agreement that to have a chance of influencing the IASB, constituents must work with the Board right at the outset of a project. Unfortunately this is not a priority for companies.

« The earlier one is in the development of a standard, the harder it is to mobilise companies. They have reduced their staff to such an extent that they have no resources available to deal with anything but the immediate issues »

Source : ACTEO survey 2012

Furthermore, reflection on "conceptual" matters is often seen as a fad of intellectuals in search of an occupation.

In fact, this project is fundamental, as it will shape future IFRSs. It is indeed during the course of this work, which has accelerated in 2013, that the IASB will determine:

- The objectives of IFRS reporting, along with its principal users and its qualitative characteristics (the notions of prudence, reliability, etc.);
- The respective roles of Net Profit and OCI, and, necessarily, the definition of a principle for recycling;
- The definition of a liability and the criteria for its recognition: when should a liability be recognized ?
- The weight given to fair value and other present value measurements compared with amortised cost;
- The objective and components of notes to the financial statements.

➤ **Leases: Where are we up to?**

Four years after the publication of the initial Discussion Paper, the second Exposure Draft, originally scheduled for the second half of 2012, has just been published by the IASB. To judge by the direction taken by the two Boards, it appears that we are still a long way from obtaining a standard of sufficient quality to replace the current standard.

In fact, despite all the criticism of the project, which has been unusual both in volume and severity, the IASB and FASB persist in developing an excessively complex model, which is lacking in internal consistency and, most of all, a clearly defined objective.

In view of all the time spent over all these years by the IASB and the whole financial constituency, we think that more radical reactions would be legitimate today.

In 2013, following very strong demand from all its constituents, the IASB has made the Conceptual Framework its top priority, and has set a very ambitious timetable for it. The first stage will be the publication of a Discussion Paper in July 2013.

ACTEO has already set itself up to participate in this early phase, with, in particular:

- A meeting with P.Danjou and S.Cooper, IASB members, on the topics of performance, net profit and OCI (September 2011);
- A response to the EFRAG consultation on a Disclosure Framework for the Notes (December 2012);
- Informal exchanges with P.Danjou, again on the subject of performance, net profit and OCI (March 2013).

However, there remains a lot to be done, with notably the organisation of workgroups to respond to the EFRAG consultations on the three: Prudence, Reliability of financial information and Uncertainty.

Your teams will thus be called upon to help establish the position of French companies on these subjects, which will be fundamental and decisive for future standards.

In line with this, the ANC has sent a letter to the European Commission to alert it to the need to abandon this project, at least in its current form.

In the light of the latest Exposure Draft ACTEO, which has already sent a number of letters to the IASB in addition to the usual comment letters, is working on the best articulation of its position.

We are currently organising a meeting between Finance Directors and one or more members of the IASB to allow the former to express directly to the Board their concern and discontent with this project.