



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



Mouvement
des Entreprises de France
MEDEF



ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, October 18 2011

Re: ED/2011/3 – Mandatory Effective Date of IFRS 9.

We welcome the opportunity to comment on the exposure draft (ED), which contains the proposal to set the mandatory date for IFRS 9 (2009) and IFRS 9 (2010) for annual periods beginning on or after 1 January 2015.

We support the proposal to postpone the mandatory application date until 1 January 2015 subject to the comments made below.

We think that the proposed date is currently reasonable, but the mandatory date of the full suite of elements IFRS 9 should be absolutely conditional upon all the major elements of the standard having been published, since those areas which are still “work in progress” may have an impact on the existing elements.

In addition, we think that IAS 39 and its replacement standard deal with very complex areas of accounting with many inter-actions with other areas of accounting and therefore will require a great amount of preparation in order to achieve a successful application. At present, when most of our members do not have a large implementation team in place to prepare for such a wide-ranging and complex standard, we think that three full years will be necessary for most major groups to understand the new requirements, gather the comparative data and to set the new procedures in place.

We would therefore support the setting of a mandatory date as of three years from the date of publication of the final, complete standard, rather than a fixed application date.

Furthermore, we strongly encourage the Board to consider carrying out a review of the whole of the financial instruments project in order to ensure consistency across its different phases before concluding that the standard is definitively completed. It may also be useful for all stakeholders that the IASB Board indicates how it envisages the reduction of the divergences between its own revised standard and the FASB's financial instruments project, so that stakeholders will be aware that they have to expect some further changes in the near future.

We remain at your disposal should you have any questions or need further information.

Yours faithfully,

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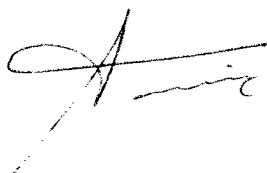
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**Appendix to our letter on IASB DP “Simplifying Earnings per Share”.
Answers to the specific questions raised in the invitation for comments.**

Question 1—Mandatorily convertible instruments and instruments issuable for little or no cash or other consideration

(a) Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period? Why or why not?

We believe that this principle is worthwhile setting and relevant to the determination of earnings per share.

(b) Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration? Why or why not?

We do not believe that the requirements as described in the proposed amendments are clear enough. We believe that amendments proposed to paragraphs 17, 18 and 19 are not easy to understand:

- paragraph 17 refers to the date from which the holder has the right to share currently in the profit or loss of the period and appears consistent with the principle described above;
- paragraph 18 lists examples of said “instruments that give their holder the right to share in profit or loss of the period”. The examples given may or may not meet that criterion, depending on their terms and conditions. The text would be clarified if it referred to “examples of instruments of which terms and conditions may give their holder the right to share in profit or loss of the period”;
- paragraph 19 should include the same restriction as proposed to be included in paragraph 18;
- in addition, we note that ordinary shares, participating instruments and the like may give their holder the right to share in the distribution of dividends. As such they give right to share in the accumulated earnings, whether these stem from the profit or loss of the period or of previous periods.

Question 2—Gross physically settled contracts to repurchase an entity’s own shares and mandatorily redeemable ordinary shares.

Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity’s own shares and mandatorily redeemable shares? Why or why not?

We agree with the proposed treatment of gross physically settled contracts to repurchase an entity’s own shares and mandatorily redeemable shares. We believe that this treatment is a proper application of the proposed principle referred to in question 1. However we suggest that an illustrative example is included because the requirement (cf. A32) to “allocate dividends to the financial liability relating to the present value of the redemption amount of the contract” is not clear to us.

Question 3—Instruments that are measured at fair value through profit or loss.

We agree with the reasoning followed by the Board and believe that the so-called “fair value method” can simplify the reporting of earnings per share without loss of relevance, if and only if:

- a proper segregation has been made between equity and debt instruments;
- fair value measurement are applied in a relevant fashion;
- fair value can be measured reliably.

As a result we believe that this amendment should not be decided before the IASB has dealt with its Debt/Equity project and concluded appropriately – including lessons learned from the financial crisis – on how to measure fair value at all times.

Furthermore, we do not believe that any disclosure should be necessary to compensate for the introduction of the fair value method. If fair value measurements are considered by users as relevant for the measurement of financial instruments, the measurement should be deemed to encapsulate the information content relevant to users.

Question 4— Options, warrants and their equivalents

(a) Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?

We agree that for the computation of diluted EPS an entity should assume the settlement of forward sale contracts on its own shares.

(b) Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?

We disagree that the end of period market price be substituted to the average market price which is used at present in the computation of diluted EPS in measuring the assumed proceeds from the issuance of ordinary shares upon assumed settlement of options, warrants and their equivalents. We believe that in such a computation the average market price is a better representation of the ordinary shares market price. Very short-term variations would be less likely to impact the computation of EPS, hence making trends in EPS more easily understandable.

Question 5- Participating instruments and two-class ordinary shares

Do you agree with the proposed amendments to the application guidance for participating instruments and two class ordinary shares? Why or why not?

We agree with the proposal to substitute the two-class method to the assumed conversion method in the computation of basic EPS. We believe that the two-class method provides more relevant information to holders or potential holders of different participating instruments.

However we do not support applying the more dilutive method for the computation of diluted EPS. We believe that this requirement would bring greater complexity while undermining the understandability of the information provided. We believe that the two class method should be applied for the computation of both basic and diluted EPS.

Question 6 – Disclosure requirements

Are additional disclosures needed? If so, what additional disclosures should be provided and why?

We agree with the IASB that no supplementary disclosure is necessary.

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