

ActeoNews

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

IASB NEWS

Postponement of the effective date of the Revenue standard

First the FASB, then the IASB, have proposed to amend the date of mandatory application of IFRS 15 to annual periods commencing after 1 January 2018, a postponement of one year.

Early application of IFRS 15 continues to be allowed.

In parallel, the work of the Transition Resource Group (TRG) continued throughout the first half of the year, resulting in a number of amendments (including practical expedients) being proposed by the FASB in an exposure draft which is much more wide-reaching than the limited ED that the IASB is expected to publish in July.

Leases: the state of play

The IASB has still not fixed the effective date but seems confident about publishing the standard in 2015.

We remind you that the IFRS will not be convergent with the standard the FASB will publish, even though this was a project that the Boards developed together with the aim of producing a common standard.

Moreover, the FASB is expected to set a very early effective date since their standard represents a less fundamental revision compared with the current US leasing standard.

In view of the significant difficulty and cost of implementation that IFRS preparers expect of this standard, we hope that the IASB will not follow the FASB down this road.

IASB Agenda

The IASB is preparing to publish a consultation document to help it set its agenda for the next three years.

We note that this agenda is already fairly full, in particular with the finalisation of the projects relating to the Conceptual Framework, the "Disclosure Initiative", the "after-sales service" for all the new or amended standards and numerous research projects which have already been planned.

EDITORIAL

Patrice Marteau

Despite the optimistic stance about IFRS – US GAAP convergence recently taken by James Schnurr*, we have every reason to wonder about the United States' objective of convergence and the role it will play, not only in international accounting standard setting, but also in the financing of the IASB.

Indeed, the Revenue and Leases projects, which were developed in common from the outset for a number of years, have now shown the limits of the quest for convergence between two very different accounting worlds.

Although the split appeared at the finalisation stage of the Leases standard, the difference has turned out to be more subtle but equally concerning for the Revenue standard, which behind the appearance of common principles risks being interpreted and implemented in a very different way across the Atlantic. While the IASB is trying to maintain a principle-based approach relying on the use of judgement, one can see from the TRG** meetings and the FASB's subsequent decisions, that the USA is on the contrary already trying to reintegrate the rules that used to apply in its former standards.

ACTEO NEWS

>> Renewal of administrators' mandates

At the last Annual General Meeting the members of the association approved an amendment to the procedure for the appointment of administrators. This will allow for the creation of a system of rotation of officers in order to avoid all the mandates expiring at the same time. The association's statutes have been duly amended.

>> Revenue

ACTEO is continuing to run its work-groups on the implementation of IFRS 15 Revenue. The principal aim is to track the work carried out by the TRG** and the preliminary tentative decisions made by the IASB and the FASB, but also to identify the potential practical implementation difficulties that our members could be faced with and exchange views on them.

>> Leases

ACTEO was the inspiration behind a letter sent by BusinessEurope to EFRAG calling upon the IASB to make widely available a copy of the "fatal flaw" draft of the Leases standard before its final publication. The IASB does not intend to renew the use of a transition group for the Leases standard in the light of the experience of the work currently being carried out on the Revenue standard by the TRG**, which has proved to be complex and time-consuming.

In the absence of a TRG** it would become essential to identify the primary guiding principles which are necessary for a good understanding and proper application of the future standard. The fatal flaw draft would help with this.

This initiative was relayed by EFRAG to the IASB.

>> AMF

In the context of the AMF's initiative on the rationalisation of the notes to the financial statements, Patrice Marteau has written to Financial Directors inviting them to provide their views on the proposals made by the regulator.

>> Conferences

ACTEO participated in the conference organised by the SNLVL*** aimed at identifying the practical consequences of the non-convergence between the US GAAP and IFRS models developed separately for the new Leases standard.

*** SNLVL : Syndicat national des loueurs de véhicules longue-durée

* James Schnurr, Chief Accountant of the SEC; Remarks at the 34th Annual SEC and Financial Reporting Institute Conference

** TRG : FASB/IASB Joint Transition Resource Group for Revenue

Governance and operation of EFRAG

The new EFRAG organisation in place since October 2014 is focused on a particularly intense work schedule for the EFRAG Board.

Fifteen or so meetings are planned for the Board members in 2015.

The principal subjects on the agenda are the following:

>> IFRS 9

Although EFRAG is of the view that the financial instruments standard will lead to an improvement in financial reporting for most constituents, the members of the Board are very sympathetic to the request from Insurers for a postponement of the mandatory effective date in their industry.

This would allow the IASB to ensure there is consistency between IFRS 9 and the model currently being developed for accounting for insurance liabilities (IFRS 4 Phase II).

In June representatives of the big 5 insurance companies went to EFRAG to explain the very significant effects that adoption of IFRS 9 in its current form could have.

Governance

Mr. Wolf Klinz, who was appointed Chairman of the EFRAG Board by the European Commission in March, was obliged to resign from his post on health grounds a few days after taking it up. The process of finding his successor has thus started up, with little probability of filling the position before the year-end. In the meantime, Mr Roger Marshall of the UK standard setter, the FRC, will resume as acting Chairman.

FOCUS: NOTES TO THE FINANCIAL STATEMENTS

The AMF is undertaking a reflection on the assembly of the notes to the financial statements with a view to rationalising and improving financial information. The objective is to make the notes to the accounts more coherent and readable.

The regulator is thus preparing to publish a guide which takes up existing good practice and defines the key elements of a successful reworking of the notes.

As far as the content of this guide goes, although overall it does not create any surprises or controversy, one can however question certain aspects of the document which might create the risk of transforming the notes into a pure element of financial communication. One might also wonder about the urgency of this project at a time when the IASB is also reflecting on these matters. It would therefore be helpful if the AMF would clearly define for entities the scope of the exercise.

However, beyond the guide itself, what is of particular interest is the message sent by the AMF that it is open to outside views, conscious of the need to change its culture and ready to accept notes to the accounts which are more relevant and more flexible than the somewhat stereotyped format of today's model. Finally, we hope that this message will be well understood and integrated by those departments of the AMF which are responsible for the review of the financial statements of French companies.

>> EFRAG / IFRIC 21

Although ACTEO shares EFRAG's conclusion that IFRIC 21 leads to distorted results in interim periods, we regret that EFRAG did not probe this more deeply when it was developing its favourable endorsement advice letter. Amongst the solutions proposed, the most pragmatic, short-term solution would be, in our view, to amend IAS 34 to allow for an exception from the application of the general principles.

>> EFRAG/Accounting for goodwill

ACTEO understands why the question of accounting for goodwill (amortisation or impairment only) could be put back on the table. We do not think that a single solution to be automatically applied in all circumstances is the best approach. Goodwill reflects economic realities which can vary according to the entities involved and IFRS should endeavour to depict these differences appropriately.

>> IASB/Fair value of investments

ACTEO agrees with the IASB on the principle that the unit of account is the investment in its totality. ACTEO therefore disagrees with the second proposal which is to ignore the unit of account and measure the investment only on the basis of the formula: number of individual instruments multiplied by the quoted price per instrument, without allowing for the characteristics of the unit of account (such as, for example, any control premium).

>> IASB/Regulated-rate industries

ACTEO believes that if there is a Conceptual Framework of high quality which places the accent on the Business activity model, there should be no need to develop a dedicated standard to deal with these specific transactions.

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