



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



A F E P

Association Française des Entreprises Privées

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, January 16, 2008

Re: *ED "Discontinued operations"*

We welcome the opportunity to comment on the IASB exposure draft presenting "*Discontinued operations*".

We believe aligning the definition of discontinued operations on the definition of operating segments is a valuable improvement. Aligning the definition of discontinued operations on a well defined notion is likely to bring greater consistency in IFRS 5 implementation.

We however strongly disagree with the Board's decision to require detailed information on the impact of disposals of "components". We believe it would result in costly and useless disclosures.

We provide more detailed comments in the appendix, in response to the invitation for comments.

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

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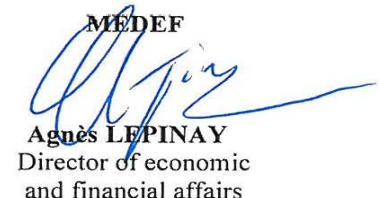
Patrice MARTEAU
Chairman

AFEP



Alexandre TESSIER
Director General

MEDEF



Agnès LEPINAY
Director of economic
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**Appendix to our letter on IASB ED “Discontinued Operations”.
Answers to the specific questions raised in the invitation for comments.**

Question 1— Definition of discontinued operations

(a) Do you agree with the proposed definition? Why or why not? If not, what definition would you propose and why?

We agree with the proposed definition. We believe it remains consistent with the former definition, while eliminating possible divergences in the interpretation of what should qualify as discontinued operations.

(b) If an entity is not required to apply IFRS 8, is it feasible for the entity to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity which is not required to apply IFRS 8?

An entity that is not required to apply IFRS 8 is nonetheless likely to monitor its operations on the basis of an internal reporting. As the definition of a segment in IFRS 8 refers to the entity’s internal reporting, we do not foresee any difficulty in the application of IFRS 5 as amended.

Question 2— Amounts presented for discontinued operations.

Do you agree that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income? Why or why not? If not, what amounts should be presented, and why?

Yes, we do agree with that requirement. We believe that the requirement is necessary to ensure the internal consistency of the income statement, and therefore the relevance and the understandability of the amounts reported as continued and discontinued operations.

Amounts reported as discontinued operations are revenues and expenses that are reported in profit or loss. We therefore think that the requirements would be clearer if the standard referred to either the income statement section of the statement of comprehensive income or of the separate income statement.

Question 3— Disclosures for all components of an entity that have been disposed of or are classified as held for sale.

(a) Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose, and why?

The proposals include two changes with which we totally disagree:

- we disagree that revenues and expenses should be analysed by nature, and hence potentially differently from the analysis in which they are presented in the income statement, i.e. in a presentation by function when this is the choice of presentation made by the entity (changes to par 33 (b) (i));

- we disagree strongly with how former paragraphs 33 (c) and (d) would be subsumed in paragraphs 41A (c) and (d). The proposed change constitutes a major change in the disclosure requirements for “components”, likely to increase significantly the burden on preparers. We understand from BC 7-9 that the supplementary disclosures would be the price to pay to reach a compromise in convergence with the FASB. We remain supporters of convergence efforts insofar as they lead to adopting high quality requirements. We believe this is not the case in the present circumstances because;
 - o the “component” notion although present in IFRS 5 has never been an active notion in IFRS. It would be open to interpretations, determining whether cash generating units should be considered in aggregate;
 - o disclosures related to discontinued operations are meant to explain in greater detail the impact of discontinued operations as presented in the primary statements; if the information in aggregate is not worthwhile in the primary financial statements, details of the same information cannot be helpful in disclosures;
 - o Discontinued operations data are helpful to users when isolating significant changes in the conduct of operations; the disposal of a cash generating unit is likely to be a non-event, because part of a plan of adjusting how to implement the entity’s strategy without changing it in substance; as a result the supplementary information is likely not to be considered by users;
 - o presentation of discontinued operations data require comparative pro forma information unlikely to be available at the “component” level; the required disclosures would therefore be quite burdensome and costly.

In conclusion, we think that the amendments should be limited to the change in the definition of discontinued operations.

(b) Do you agree with the disclosure exemptions for businesses that meet the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose, and why?

We fully agree with the disclosure exemptions carried forward from the existing IFRS 5.

Question 4— Transition

Are the transitional provisions appropriate? Why or why not? If not, what do you propose and why?

We do not think that the transitional provisions are appropriate. We believe that the amendments should be applied on a prospective basis for all new discontinued operations.

Notwithstanding the change in definition, discontinued operations which have been presented as such in a prior period still reflect activities which have been in the course of being disposed of, or have been effectively disposed of or abandoned. As a result, restating prior years reporting to potentially re-include the impact thereof (either on prior or current periods) in continuing activities does not sound helpful information. In addition, we do not believe that according to IFRS 5 at present the disposal of an operating segment would have failed to be presented as discontinued operations.

We therefore believe that retrospective application of the proposed amendments would not be beneficial to users.

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