



## IFRS NEWS

Five new standards which introduce important changes to financial statements will come into effect in 2013 or 2014.

### ➔ Consolidation and Joint Arrangements: 3 new standards (mandatory application 1 January 2014, early adoption permitted)

#### ➔ Consolidated Financial Statements IFRS 10

In most instances the standard should not significantly change the entities that have to be consolidated.

It contains a single control principle for all entities and prescribes certain notions such as in-substance control in the absence of a majority of votes.

#### ➔ Joint Arrangements IFRS 11

Proportionate consolidation is no longer permitted. This will often mean that turnover may no longer be presented for geographical zones where the entity predominantly uses joint arrangements for its activities.

Despite its strong opposition to this project, France's political position remained a minority view.

#### ➔ Disclosure of Interests in Other Entities IFRS 12

One can expect a significant expansion in the volume of notes and, potentially, the development of new reporting systems for companies.

The standard introduces new disclosures about interests in subsidiaries, joint arrangements, associates and specific-purpose entities.

### ➔ Fair Value - IFRS 13 (mandatory application from 1 January 2013)

The standard provides a single definition of fair value, lays out a hierarchical framework for the measurement of assets and liabilities and requires additional information in the notes. The impact of the standard on financial statements appears not yet to have been fully assessed by companies and auditors.

### ➔ Pensions - IAS 19 (mandatory application from 1 January 2013)

The application of this standard may have a potentially significant impact on the income statement (through the abandonment of the use of the expected rate of return on assets) and on shareholders' funds (through the mandatory immediate recognition of all actuarial gains and losses in equity).

On the same subject, the selection of the discount rate for pensions is under discussion. The IFRS Interpretations Committee (IFRIC) has received a request to define what is meant by "high-quality corporate bonds" in the context of a very limited number of recent transactions in the AAA/AA categories.

In November 2012 the IFRIC suggested that there should be no change in the methods currently used for determining discount rates and indicated that it would continue its consideration of the question in 2013.

## ACTEO NEWS

### ➔ October 2012

ACTEO provided its members with a technical note justifying accounting for the French "additional contribution on the distribution of dividends" as an item in equity.

Patrice Marteau participated in the debates on the subject "IFRS in Europe: what strategy for Europe?" at the Les Echos/PwC Arrêté des Comptes IFRS Conference and the KPMG IFRS Day.

### ➔ November 2012

Following on from the survey amongst its members, ACTEO published its action plan aimed at improving the internal operation of the association. The results of the second part of the survey, which relates to more strategic, external matters, will be presented in early 2013.

ACTEO's analyse of the AMF recommendations for the 2012 annual reports and subsequent communication with the AMF led to a significant reduction in the number of the recommendations retained in the final document.

ACTEO, MEDEF and AFEP addressed a letter to the President of the AMF to make him aware of the increase in the requirement for companies to provide confidential information in their financial statements. This letter had the support of 30 Finance Directors. Following this initiative the AMF has created a task force to examine the issue in 2013.

Discussions on Non-Controlling Interests: in collaboration with Business Europe, ACTEO organised a meeting with members of the IASB and several European companies to ensure that their strong objections to this draft Interpretation were heard.

### ➔ December 2012

ACTEO, MEDEF and AFEP wrote to the Chairman of the IFRS Trustees, Michel Prada, on the subject of the IASB's project for the creation of an advisory forum of standard setters (ASAF) (see FOCUS below).

Philippe Danjou (IASB Board member) came to provide ACTEO members with an overview of the latest developments in IFRS.

« It concerns all Finance Directors, but not all are interested »

It is this recent comment about IFRS by a Finance Director which inspired the creation of this Newsletter. IFRS's have become so horribly complex and technical that they influence, or even handicap, your operational and strategic decisions.

The purpose of this newsletter is therefore to get over the barrier of the sometimes incomprehensible language of the IFRS texts and to give you the essence of current accounting developments and the actions undertaken by ACTEO.

For 15 years ACTEO has been trying to soften the more extreme of the IASB's proposals and, thanks to the very active participation of the association's members, to establish pragmatic positions acceptable to French companies.

Just like those of the European Union as the first and primary user of IFRS, these positions deserve to be more widely known and listened to. This very topical subject is developed further in the FOCUS section of this Newsletter, and I recommend it to your attention.

It is ACTEO's intention to be an active participant, with your support, in this debate on what has become a very strategic issue.

Patrice Marteau  
Président



## What is Europe's role in the evolution of IFRS?

➤ **Post-Implementation Review of standard on Operating Segments (IFRS 8):** ACTEO states its support for this standard whose «management view» approach is valuable and must be retained.

➤ **EFRAG project aimed at improving the relevance of disclosures in the notes:** ACTEO suggests in particular the elimination of all forward-looking information and supports the use of judgement and the notion of materiality.

➤ **IASB project for the creation of an advisory forum of standard-setters:** ACTEO criticises the small number of seats reserved for Europe and the explicit commitments required of the forum' participants to promote a full and unmodified implementation of IFRS.

➤ **IFRIC draft interpretation on certain levies:** ACTEO is opposed to the proposal which would eliminate the allocation of the expense over the relevant period.

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

On 13 July 2013 the staff of the US Securities and Exchange Commission (SEC) made known its intention to postpone its decision about whether to integrate the use of IFRS in the financial reporting system for US issuers. In the face of this obstruction on the road to convergence many voices have been raised to insist that Europe take up its rightful place in the process of international accounting standard setting.

In fact, for the last three years the IASB has been applying a strategy of conquest, with, as a primary objective, the adoption of IFRS by the USA. This has been pursued despite its detrimental effect on the economic relevance of the proposed standards and their impact on the current users of IFRS.

As a result, some very controversial projects (such as leasing, revenue recognition...) have been justified on the grounds of convergence without their superiority to current texts being properly demonstrated. The IASB is content to emphasise the importance of the needs of IFRS "users", a title which it reserves for analysts and investors.

European companies, which are the first and most important "customers" of IFRS, sometimes feel that they are not listened to by the IASB and not supported by the European Union.

The role of EFRAG (a private organisation used by the European Commission to represent it in the technical debate) is also criticised on the grounds that the organisation set up for it originally does not allow it to transmit the political messages that are now being expressed in various ways all across Europe.

Moreover, the IASB has just developed a proposal for the creation of an advisory forum of standard setters (ASAF) in which representation of the European Commission is limited to just two places out of 12. Furthermore, participation brings with it a commitment to promote the adoption of all new IFRS requirements in their entirety and without reservation.

Nevertheless, the European Commission does not wish to break away from IFRS.

### In this context, how can Europe play its role better?

To be more influential, Europe must intervene a long way upstream of the development of the standards.

The reaching of a consensus between all the European constituents (preparers, standard setters...) is obviously an essential pre-requisite.

There is a need for the creation or reconstitution of a targeted organisation capable of transmitting not only technical positions but also more political positions equally.

## IFRS PROJECT PUBLICATION TIMELINE

Does not include completed projects for which a final standard has already been published or IFRIC projects.

