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

Mouvement des Entreprises de France
MEDEF

IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
UK

January 19, 2016

Dear Mr. Upton,

Draft IFRIC Interpretation DI/2015/2 Foreign Currency Transactions and Advance Consideration

We welcome the opportunity to comment on the IFRS Interpretations Committee (IFRIC) exposure draft «Foreign currency transactions and advance consideration" (the DI) as we believe it will help prevent diversity in application. Please refer to the appendix for our comments on each specific question raised.

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

Yours sincerely,

ACTEO	AFEP	MEDEF
Patrice MARTEAU Chairman	François SOULMAGNON Director General	Agnès LEPINAY Director of economic and financial affairs

Appendix

Question 1 - Scope

The Draft Interpretation addresses how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in accordance with paragraphs 21–22 of IAS 21. Foreign currency transactions that are within the scope of the draft Interpretation are described in paragraphs 4–6 of the Draft Interpretation. Do you agree with the scope proposed in the Draft Interpretation? If not, what do you propose and why?

While we agree with the proposed scope of the draft interpretation, we believe it deserves some further clarification. First, we think that it would be more straightforward if the transactions which are concerned by the interpretation were clearly identified. It would thus be useful to introduce in the body of the Interpretation (in paragraph 4) the examples of the transactions concerned that are currently presented only in the Basis for Conclusions (BC 10).

It would also be useful to illustrate which transactions are covered by the discussion in paragraph BC21, perhaps by adding an illustrative example. In particular, this should show the circumstances in which a prepayment asset is considered to be a monetary item and those in which it is a non-monetary item.

Question 2 - Consensus

The consensus in the draft Interpretation provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income (or part of it) on initial recognition that relates to, and is recognised on the derecognition of, a non-monetary prepayment asset or a nonmonetary deferred income liability (see paragraphs 8–11). The basis for the consensus is explained in paragraphs BC22–BC33. This includes the Interpretations Committee's consideration of the interaction of the draft Interpretation and the presentation in profit or loss of exchange differences arising on monetary items in accordance with paragraphs 28–29 of IAS 21 (see paragraphs BC32–BC33). Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

We agree with the proposed consensus as we believe it provides an appropriate interpretation of IAS 21 and will help reduce diversity. We also welcome all the different illustrative examples, which have the merit of well clarifying the practical implications of the consensus. It may however be appropriate to specify in those examples that relate to IFRS 15 that the practical expedient for a financing component provided by that standard has been applied here for the sake of convenience, since the period between the transfer of goods/services and the payment is less than one year.

We also agree that the draft interpretation should not address the question of the presentation in profit or loss of exchange differences on the settlement or retranslation of monetary items. (BC 32-33).

Question 3 - Transition

On initial application, entities would apply the proposed Interpretation either: (a) retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or (b) prospectively to all foreign currency assets, expenses and income in the scope of the proposed Interpretation initially recognised on or after: (i) the beginning of the reporting period in which an entity first applies the proposed Interpretation; or (ii) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which an entity first applies the proposed Interpretation. Do you agree with the proposed transition requirements? If not, what do you propose and why?

We support the option provided for prospective application of the draft interpretation, as this could avoid a considerable burden for some preparers.

Concerning the effective date, we recommend aligning it with that of IFRS 15, as the issue is quite closely associated with items covered by the revenue recognition standard. However, the proposal to permit early application should be maintained.