



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



*AFEP*

ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

IASB  
30 Cannon Street  
London EC4M 6XH  
UK

Paris, 25 November 2011

Dear Sir or Madam,

**Re: Agenda Consultation 2011**

We welcome the opportunity to comment on the Request for Views “Agenda Consultation 2011” (the Request) published in July 2011.

In the next three years, entities that have already adopted IFRS and the user community will have to come to terms with several recently published standards (IFRS 10, IFRS 11, IFRS 12, IAS 27R, IAS 19R, IFRS 9, etc.), some of which are complex and onerous to prepare for. Furthermore, a large number of new adopters will come into the scope of IFRS, leading to an intense period of transition and familiarisation for both the companies and external users.

We are therefore of the opinion that the IASB should not undertake any more “active” projects during the next three years. Instead, we would recommend that during this period the Board undertake a programme of work on fundamental issues which are common to all the existing standards and to those currently under development, and which can also be perceived behind many of the suggestions for items to be added to the Board’s agenda. The issues which we have in mind include, amongst other matters, the notion of performance and its representation, the definition of assets and liabilities, and the principles of their recognition and measurement.

We think that this work on the fundamental issues should enable the Board to consolidate the principles and notions used in the current standards and ensure that they are applied consistently across existing and forthcoming IFRSs.

In our opinion, the Board should not embark upon the development of any individual projects until substantial progress has been made in these areas.

We remain at your disposal should you need further clarification or background information.

Yours faithfully,

ACTEO



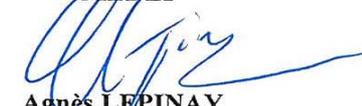
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## **Appendix – Answers to specific questions raised in the Request for Views**

### **The overall strategic direction and balance of the agenda**

**Question 1 — What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years.**

**Question 1(a): — Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?**

**Question 1(b) — How would you weight the two categories and five strategic areas? If you have identified other areas for the IASB’s agenda, please include these in your answer.**

### **A stable platform**

We agree with those many companies and users who, as Mr. Hoogervorst observes, would like to see the establishment of a stable platform of standards before further substantial projects are undertaken. We think that such a period stability is necessary both to allow companies and external users to understand, implement and assess these changes and to enable the IASB to assess the impact and the success of the changes made since the stable platform of 2004, . In this respect, a period of stability lasting [3] years corresponding with the period until the next agenda consultation, would appear appropriate.

In our view, the IASB could best use this period to carry out a number of tasks aimed at proving and consolidating the existing body of IFRS. The work to be done consists principally of (a) improving the fundamental notions common to all accounting standards, and making any consequential amendments to the existing Conceptual Framework (the Framework) and (b) then ensuring that all existing standards are consistent with the Framework and with each other. This work of quality assurance should also be performed on the four major projects currently under development before their publication as definitive standards.

### **Balance of strategic priorities**

The two “strategic areas” listed under the category “Maintaining existing IFRSs” are really two different tools used with the common objective of ensuring that the standards already published are of high quality and are achieving their intended purpose.

The post-implementation reviews of the major changes standards published since the last stable platform (of 2004) are, in our view, both indispensable and pressing. The assessment of the difficulties in interpretation and implementation of these standards is an important source of evidence which should inform the IASB’s agenda. We note that the post-implementation reviews of IFRS 8 and IFRS 3/IAS 27 (2008) are imminent, but would encourage the Board to include IFRS 10 and IFRS 11 in these reviews as they are closely linked to the 2008 business combination and consolidation standards and are currently subject to much scrutiny and the source of many questions as entities prepare for their implementation.

“Responding to implementation needs” is important, but we believe that it is more efficient and effective to ensure that all standards are soundly based on reliable notions and practical approaches, and have been thoroughly tested on realistic examples before they are finalised. Post-implementation reviews are helpful, but avoiding the need for these is the ideal.

In respect of the category of “Developing financial reporting”, we think that the overwhelming prerequisite to any development is the refurbishment of some fundamental notions which are common to all accounting standards. We think that it is very important to develop, define or clarify a number of notions which are common to all IFRSs. This work is fundamental to the development of relevant and consistent standards of high quality. Whilst we do not go as far as to recommend that it is necessary to complete the revision of the whole Conceptual Framework (the Framework) before any more work is carried out on developing individual standards, we do believe that there are a number of concepts which are fundamental to many, if not all, standards, and which are at present in a state of flux following several years of standard-setting in some difficult or controversial areas. We think that it would greatly enhance the Board’s capacity to develop acceptable approaches to many of today’s difficult topics and to achieve consistency of approaches across standards if these notions were fully developed and clearly articulated for all to understand. We discuss some of the most important of these notions below.

In parallel to the work on the fundamental notions mentioned above, we think there is a need for a profound review of all the existing standards with the objective of ensuring that concepts and definitions are being used consistently across the standards, and that each of the standards is consistent with the Framework. All exceptions that are identified should be challenged and explained. The existence of such elements may provide a useful indication of areas where the Framework is no longer appropriate or is not sufficiently clear.

Similarly, the four major projects (financial instruments, insurance, leases and revenue recognition) should also undergo such a review for cross-standard consistency and conformity with the Framework. If IFRSs are to maintain their credibility, all the new standards must be of the highest quality when introduced. In respect of this notion of high quality, we also suggest that the Board revise the definition of high-quality standards to encompass not only the need for robust principles, but also clarity and feasible implementation criteria, with the objective of contributing to the development of quality financial information in which stakeholders can trust.

Finally, in respect of the Leases and Revenue Projects, we remind the Board that we are not supportive of the completion of these two projects. In our opinion, their superiority over existing standards has not been clearly demonstrated. In addition, as the objective of convergence now seems to be extremely distant, we do not see real need for new standards, which were originally motivated by this objective.

## **Fundamental notions**

Individual notions which we think need to be revised as a matter of priority are those of

- the Performance of the entity and how this should be represented within its own Business model; this would include the principles behind use of Other Comprehensive Income and the recycling of elements to Profit or Loss;
- the definitions of assets and liabilities (including the question of executory contracts) and the principles of recognition;
- as a corollary to these, a justification of the perceived superiority of the notion of control as opposed to that of risk and rewards, and how this is applicable to the different contexts of assets and entities;
- measurement approaches, including the use of the discount rate, the reflection of uncertainty, the relevance of fair value and amortised cost in appropriate circumstances;
- and finally, a complete revision and rationalisation of the disclosure requirements (the Disclosure Framework).

The topic of the representation of performance is fundamental to most standards. It has been an important consideration in the four major projects mentioned above and in other recent projects, such as the amendment to IAS 19. The use of OCI and recycling has currently no real conceptual grounding but appears to be generally accepted as being appropriate for a proper representation of performance. In addition, like other constituents, we have noted the increased use of “non-GAAP” measures by entities in order to explain their performance to users. This leads us to think that certain aspects of current performance reporting are seen by entities and users as not being representative of performance, and this merits investigation and reflection. Performance has also been the subject of numerous debates and projects over the last ten years, and we think it is now the time to identify and agree on the relevant principles in order to facilitate future standard-setting.

The other notions discussed above have all been notions which have presented areas of difficulty in projects on which the IASB and the FASB have spent much time. We think that time spent in clarifying these notions now will greatly assist standard-setting in the future. In our response to Question 2, we provide examples of the extent to which current accounting issues depend upon some of these notions and hence how important clarification can be to resolving these issues.

## **Criteria for selecting projects**

Another area which we see as a priority for the IASB is that of the justification of the need to amend or develop particular standards. The IASB should develop clear criteria / guidelines to be applied in a transparent process for developing its proposals to add projects to its agenda. Before a [major] project is initiated, there should be a requirement for evidence of the clear need to fill a gap or improve or develop a standard to deal with specific issues, and a convincing justification of the benefits of the project should always be provided. Recent projects where we think the justification was not sufficient include Revenue Recognition, Leasing, Business Combinations and Consolidation and IAS 37.

The existence of such accepted criteria for filtering projects to be undertaken would help constituents to participate effectively in the Agenda Consultation.

## **Research**

Given its limited resources, we think that the IASB should be cautious in the amount of new research that it undertakes itself and should make as much use as it can of existing research and research resources that could be applied through cooperation with national standard-setters, and regional accounting organisations,. We note that there is a large amount of material currently available as a result of the activities of such external bodies and the IASB itself, and that it would be wasteful not to take advantage of this. Existing research material and potential sources of knowledge that we are aware of includes,

- The extensive research and outreach results from the major projects currently in train (Financial Instruments, Insurance, Leasing and Revenue Recognition), as evidenced by the high quality of the papers used by the Board in its deliberations;
- The research performed for the benefit of the IFRS Interpretations Committee in its deliberations;
- The “pro-active” work carried out by EFRAG and its partners, the national standard setters;
- The experience of the last seven years or so of European reporting under IFRS, seen from the point of view of companies, auditors, users and regulators; and
- The results of the current and future post-implementation reviews.

Much of the above could be used to help the IASB in in the clarification of a number of fundamental notions.

We think that the most important and currently pressing topic of research is the assessment of the appropriateness of the standards published up to the time of the second stable platform and the knowledge gained from these post-implementation reviews.

## **XBRL and Integrated reporting**

On the topic of devoting resources to XBRL, we would again urge the Board to be cautious. We think that the priority for the Board should be to develop accounting standards which are sufficiently clear and understandable to be applied consistently by entities. Once this is achieved and disclosure requirements are rationalised, the use of a reporting tool like XBRL, would be greatly facilitated. XBRL is, however, just a tool and should not dictate the presentation of financial reporting nor be used as the justification for imposing inappropriate uniformity on accounting.

In a similar vein, we do not think the Board should devote any resources to “integrated reporting”, other than to consider periodically whether the then state of such reporting indicates that changes are required to IFRS. We expect that the results of the Board’s deliberations on the disclosure framework will be relevant here, and we would encourage the IASB not to bring into the scope of financial reporting any requirements for information which are not strictly relevant to financial reporting, in particular, for us this means non-financial information.

## Prioritising existing and potential new projects

**Question 2 — What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?**

**Question 2(a): — Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?**

**Question 2(b) — Adding new projects to the IASB’s agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB’s agenda but deferred (see table page 14) would you remove in order to make room for new projects, and why? Which of the projects previously added to the IASB’s agenda but deferred do you think should be reactivated and why? Please link your answer to your answer to question 2(a).**

As discussed in our response to Question 1, we think that the priority should be to clarify a number of fundamental notions. It is our belief that once this has been done, and the current Framework amended accordingly, the resolution of a number of the potential agenda items could be facilitated and made more effective.

We do not, therefore, suggest that any individual project should be given priority, but recommend that these fundamental notions should be dealt with first.

Please find below a table which illustrates the interaction between the key concepts to be worked upon with the main standards in force, current projects from both IASB and IFRIC and potential topics for future inclusion on the agenda.

This table does not pretend to be exhaustive but it could be a good basis for the proposed work. Please see attached a more detailed version.

Finally, it seems to us that when a subject is very specific to a particular kind of transaction or industry across jurisdictions, it should initially be the responsibility of the IFRIC to see how the current standards could be applied to this case. If the principles needed to be reworked, then the IASB would have to take charge of the project.

Notion	Ongoing projects	IASB agenda	Main Current IFRS affected
<b>Assets : definition and recognition</b> <i>including unit of account</i>	Leases Revenue	Emission trading schemes Extractive activities Intangible assets Rate-regulated activities	IAS 16 IAS 38 IAS 2
<b>Liabilities</b> Definition Recognition Recognition of subsequent reevaluation	Leases Revenue	Emission trading schemes Rate-regulated activities FICE Put on NCI IAS 12 R IAS 37R IAS 19R Contingent pricing of PPE & Intangible	IFRS 3 IAS 12 IAS 13 IAS 19 IFRS 9 IAS 32
<b>Performance</b> Definition Use of OCI and recycling	All Insurance, IFRS 9	All FICE, FSP	IAS 19, IFRS 9, IAS 21, IAS 16 & 38, IFRS 2 ...
<b>Measurement</b> Amortized cost, Fair Value, current value ... Discount rate Uncertainty	Revenue Lease Insurance IFRS 9	Emission trading schemes Equity method Extractive activities Discount rate IAS 37R Biological assets	IFRS 3, IFRS 13, IAS 37, IAS 19, IFRS 2, IAS 21...
<b>Control versus risk and reward approach</b>	Lease Revenue	IFRIC 15	

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