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N° : 23

Paris, le 4 septembre 2014

Mr Hans HOOGERVORST
IASB

30 Cannon Street
London EC4M6XH
United Kingdom

Re : Exposure draft 2014/2 – Investment entities : Applying the consolidation exception - Amendments to IFRS 10 and IAS 28

Dear M. Hoogervorst,

I am writing to communicate the views expressed by the Board of the Autorité des Normes Comptables (ANC) on 4th September 2014 on the above-mentioned exposure draft (hereafter ED). These views result from the ANC's due process which has involved discussions by its IFRS Commission.

Whilst the ANC agrees with the 2 first proposed amendments, it disagrees with the proposed differential treatment of the equity method dependent on whether the entity is an associate or a joint venture as proposed in its third amendment. Such proposal appears to contradict the requirements and reasoning for aligning the application of the equity method to both joint ventures and associates as part of the 2011 consolidation package. In addition, we are not convinced that such differential treatment is decision-useful to users of the financial statements. We therefore support that, in the specific case patterns of this proposed amendment, the non-investment entity investor retains, when applying the equity method, the fair value measurement applied by its investment entity associates and joint ventures to their interests in their own subsidiaries.

Our detailed comments as regards the questions specifically asked by the IASB are set out in the attached Appendix.

Should you need further explanations, please do not hesitate to contact us.

Yours sincerely,

Gérard Gil

ANC Board Member
ANC IFRS Commission Chair

Appendix

Question 1—Exemption from preparing consolidated financial statements

The IASB proposes to amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiaries at fair value in accordance with paragraph 31 of IFRS 10. Do you agree with the proposed amendment? Why or why not?

The ANC agrees with the proposed amendment, provided that all the other conditions for being exempted to present consolidated financial statements as per IFRS 10.4(a) are met.

We would however like to draw the IASB's attention on the fact that those entities would be exempted from *presenting* consolidated financial statements and not from *preparing* (this word being used in the above question) accounts on a consolidated basis for the purposes of the consolidation processes of its parent.

Question 2—A subsidiary that provides services that relate to the parent's investment activities

The IASB proposes to amend IFRS 10 to clarify the limited situations in which paragraph 32 applies. The IASB proposes that the requirement for an investment entity to consolidate a subsidiary, instead of measuring it at fair value, applies only to those subsidiaries that act as an extension of the operations of the investment entity parent, and do not themselves qualify as investment entities. The main purpose of such a subsidiary is to provide support services that relate to the investment entity's investment activities (which may include providing investment-related services to third parties). Do you agree with the proposed amendment? Why or why not?

The ANC agrees with the proposed amendment.

We are however concerned that the scope of the amendment is very narrow and will not help clarify the accounting treatment in slightly more complex and more frequent structures.

Question 3—Application of the equity method by a non-investment entity investor to an investment entity investee

The IASB proposes to amend IAS 28 to:

a) require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate to its interests in subsidiaries; and

b) clarify that a non-investment entity investor that is a joint venturer in a joint venture that is an investment entity cannot, when applying the equity method, retain the fair value measurement applied by the investment entity joint venture to its interests in subsidiaries.

Do you agree with the proposed amendments? Why or why not?

The ANC disagrees with the proposed differential treatment of the equity method dependent on whether the entity is an associate or a joint venture as proposed in this amendment.

When the IASB published the "consolidation package" in May 2011, it :

- clarified that the unit of account of a joint arrangement is the activity that two or more parties have agreed to control jointly, and that a party should assess its rights to the assets, and obligations for the liabilities, relating to that activity (IFRS 11.BC35) ;
- then concluded that the equity method should be applied to account for the share in the net assets (representative of the investor's rights and obligations) as regards joint ventures which could not qualify as joint operations, as well as for associates (IFRS 11.BC41) ; therefore the unit of account is the entity itself ;
- unified the accounting principles of the equity method applying to both associates and joint ventures, for instance as regards the former SIC-13 (as explained in IAS 28.BC 32-37).

As a consequence, as per IAS 1, both associates and joint ventures accounted for under the equity method would (could) appear in one single line on the balance sheet and in the income statement, subject to materiality and relevance aspects.

The only difference introduced based on whether an entity is an associate or a joint venture relates to the disclosures required for material joint ventures as per IFRS 12.B13 which requires additional disclosures compared to those required for material associates.

The ANC considers that the clarification of the application of the investment entity exception under this proposed amendment should have been considered in view of the decision-usefulness of the information that will be presented and not solely under the angle of how easier it would be in practice to obtain the information.

In view of the above, we consider that the differential treatment proposed contradicts the decisions the IASB took in 2011 when publishing the consolidation package. In addition, we are not convinced, given the presentation and disclosure requirements mentioned above, that a differential treatment would result in decision-useful information.

We therefore support that, in the specific case patterns of this proposed amendment, the non-investment entity investor retains, when applying the equity method, the fair value measurement applied by its investment entity associates and joint ventures to their interests in their own subsidiaries.