



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



IASB
30 Cannon Street
London EC4M 6XH
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Paris, December 18, 2015

Dear Mr Hoogervorst,

Re: 2015 Agenda Consultation - Request for Views (the Consultation)

We welcome the opportunity to share our suggestions and observations on IASB's forthcoming work plan. Our responses to the questions posed in the request for views document are set out in Appendix 1.

If you have any questions or a need for further information, please do not hesitate to contact us.

Yours sincerely,

ACTEO

AFEP

MEDEF

Patrice MARTEAU
Chairman

François SOULMAGNON
Director General

Agnès LEPINAY
Director of economic
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The balance of the IASB's projects

1 The IASB's work plan includes five main areas of technical projects: (a) its research programme; (b) its Standards-level programme; (c) the Conceptual Framework; (d) the Disclosure Initiative; and (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

We would reiterate that our first priority is to achieve and maintain a stable platform for the next few years. This was one of the major messages that came out of the last Consultation, and despite this we have seen the publication or fundamental amendment of three major standards which preparers will have to implement over the next three years (IFRS 15, IFRS 16, and IFRS 9). We therefore request that the IASB does not undertake any further fundamental revisions of any standards, other than to provide solutions for those obvious gaps and problems with the body of IFRS that are recognised and accepted by all.

Moreover, the IASB has undertaken two highly important projects which must absolutely be brought to a successful conclusion, resulting in a product of high quality which achieves the support of all constituents: the Conceptual Framework and the Disclosure Initiative. These two projects were approved by a vast majority of constituents, and, in our view, they will set the pattern for the development and quality of IFRS in the future. The IASB must ensure that all the resources necessary for the successful completion of these projects are made available. This requires not only the internal resources of the IASB but also the resources of the entities which are already fully mobilised by the implementation of the major standards that have been published recently.

In parallel to these two essential projects, we think the IASB should devote significant resources to the maintenance of new standards. This would include post-implementation reviews (which should encompass impact assessments based on actual experience) and potentially the development of Interpretations or Application Guidance for recent standards should it prove necessary.

We strongly support IFRS remaining a set of principle-based standards. We therefore would not wish to see the Interpretations or Application Guidance transformed into a very detailed set of application rules which would prevent the use of judgement for application issues. Consequently, we would not wish the IASB to fall in step with the FASB in its development of post-publication amendments, which we think present a risk of the creation of inappropriate rules.

In relation to standard-setting activity, we are of course in favour of an "approach to standard setting informed by evidence". In this respect, we think that only a few issues currently satisfy this criterion, such as where there is an obvious need to develop standards which are lacking today. As an example of such a case, accounting for insurance must be finished. Moreover, this topic has an impact which is restricted to a specific industry sector, and thus finalising it would still afford a period of relative stability for those preparers who are not affected by this work.

As far as the research programme is concerned, we think that the IASB could reduce its requirement for resources in this area by relying on the work already carried out by other bodies, such as EFRAG, National Standard Setters, academic researchers, IFRIC etc., and by concentrating its efforts on a few targeted projects (see response to question 2 below).

Research projects

2 The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.

The proposed set of candidates for research projects seems very broad and ambitious as it stands. We have not identified any major project which has been omitted. However, the post-implementation review work may well provide evidence of new areas that require attention. The IASB must therefore retain a certain degree of flexibility in order to be able to incorporate these into its work programme.

In addition, once the Conceptual Framework has been finalised, it will be useful to carry out a review to identify the non-conformity of current standards with the principles of the new Framework. The purpose of this review would not be to amend the standards immediately but rather be an opportunity to confirm that any differences are necessary and useful, and to establish whether any such differences should be resolved over a longer period. Any proposal to amend the standards should be undertaken only after consultation based on the analysis performed.

- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?

- (c) remove any other projects from its research programme?

We think that it is better to maintain a list of such potential research projects as an aide-memoire in order to be able to reactivate them as quickly as possible if more resources become available and/or a change in the economic or accounting environment leads to a rise in the priority of these projects.

3. For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/ medium/low) and urgency (high/medium/low). Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low

We think that before one can classify research topics by priority it is essential to define the objective of the project. A subject may be included in the research programme because there is a deficiency in the existing standard, but it does not necessarily follow that a fundamental revision of the current principles and text are required. As indicated in our response to question 1 we think that the IASB's primary concern should be to stabilise the body of IFRS and improve it at the margin on an exceptional basis where the need is clear.

As an example of the approach we suggest, although we think that the IASB should undertake a project on equity accounting, this does not mean that we are in favour of a fundamental rethink of the current standard. We are rather of the view that the IASB should make an inventory of all the related issues and treat them together in a coherent fashion within a separate dedicated standard. In such a case, we do not think it is necessary to go through the phase of a discussion paper, especially since other bodies (such as EFRAG, for example) have already carried out a certain amount of analysis work on the topic.

In order to optimise the use of its limited resources while dealing with as many projects as possible, the Board should restrict the number of amendments to the strict minimum necessary by not adopting an approach of systematic fundamental revision, should keep open the option of not always going through the Discussion Paper stage, and should try to build on work already carried out by itself or other bodies. Such an approach would also increase the Board's capacity to react quickly and provide rapid solutions to urgent issues.

Moreover, we think that an appropriately drafted Conceptual Framework would allow the IASB to resolve in a fairly simple manner a number of the problems which currently appear on the list of research topics. We would therefore respectfully suggest that, in the course of its forthcoming deliberations on the Framework, the IASB should ask itself whether the proposed principles could enable it to deal with the topics on its research programme.

In this respect, the topics that are cited the most frequently by our members are the following (listed in decreasing order of frequency of mention):

- Equity accounting, but only in the context of the development of a self-contained and comprehensive standard, without explicit reference to, or application by analogy with, other standards, with the aim of resolving all the identified issues during the project stage. Subsequent amendments which create problems of inconsistency must be avoided.
 - We do not think it is necessary to spend time developing a conceptual justification for equity accounting, as the utility of this method is not contested today.
 - This work could be performed in parallel with a Post-Implementation Review (PIR) of IFRS 11, which, in our view, has led to a considerable broadening of the application of equity accounting and highlighted issues which have now become significant. We therefore think that a PIR of IFRS 11 is now urgent.
- In a similar vein, the work undertaken by IFRIC on the accounting for variations in the proportion of holdings in different kinds of structure should be pursued and completed.
- IFRS 5: The whole set of issues identified by IFRIC should be dealt with in a project aimed at identifying the real needs of users for information about the activities which fall in the scope of this standard. The objective should be to define the relevant scope and what information is the most useful.
- Income and Other Taxes: Once again, the demand is not for a complete and fundamental revision of the concepts involved but rather work aimed at resolving the application issues identified by IFRIC.
- The Debt/Equity distinction (cited mainly by financial institutions): If possible this should be resolved by the revision of the Framework. The current principle of the definition of equity as a residual is not contested, and we agree with focusing the project on exploring whether the existing classification requirements in IAS 32 could be improved.
- Discount rates: A study of the complete body of IFRS should be undertaken to identify the range of rates required, justify the use of certain different approaches where appropriate, determine if a harmonisation of rates across standards would improve the usefulness of financial information, and if so, define an approach to this. We would not support a blanket

alignment of rates across standards unless it can be demonstrated that this would improve the information. However, it must be remembered that some current requirements that were drafted in the context of relatively stable (high) rates are posing real problems in the current environment.

- **Macro Hedging:** The IASB should focus on developing a pragmatic solution that may help entities to reflect macro hedging in an appropriate way in financial statements taking into account the business model and the risk management activities. We therefore believe that the current need is solely to complement the general hedging model that is not suitable for all hedging policies. We do not believe that there is currently a need for an accounting approach for general dynamic risk management in its broadest sense, i.e. beyond hedged positions.

Major projects

4. Do you have any comments on the IASB's current work plan for major projects?

The major projects currently under way (Leases, Insurance, Conceptual Framework and Disclosures Initiative) should remain the priority.

Maintenance and implementation projects

5 Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)? Level of change

6 Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not? Any other comments 7 Do you have any other comments on the IASB's work plan?

The Consultation document makes the following statement: Since publishing the 2012 Feedback Statement, the IASB has issued 15 annual improvements, or other narrow-scope amendments, and Interpretations relating to 21 Standards. In addition, the Interpretations Committee has issued 54 agenda decisions (i.e. decisions not to take an issue onto its work plan), many of which include educational guidance.

We think that this represents a very large number of amendments whose impact on preparers should not be ignored. In our view, use of Annual Improvements should be limited to a more restricted type of issue than at present, such as a correction of an obvious drafting error, for example. All other types of amendment could have important consequences for entities and should be subject to a full "due-process" approach.

We also think that IFRIC has far too great a workload. We are therefore concerned by the increasing regularity of subjects being dealt with in a very short time with a due process different from the normal due process used by the Board. Because of the large volume of material dealt with by the IFRIC, constituents do not have the time to invest sufficiently in these matters and thus cannot always react quickly enough to the subjects.

When one lists 54 agenda decisions it means that at least that number of practical applications have been called into question in three years, and the effect of the potential change on entities should not

be underestimated. We think that IFRIC should not spend time on subjects for which it rapidly becomes clear that it will not find a consensus or whose difficulty is caused by inconsistency between standards. In these cases the issue should be passed rapidly to the IASB, who should, if the extent of the problem warrants it, add it as a project at the top of its priority list.

Perhaps IFRIC should be given the tools or resources to enable it to make a better initial analysis and prioritisation of the subjects referred to it. A reduction in the number of issues it has to resolve would contribute to an improvement in the quality of the process and allow constituents to participate better in the process.

We are also concerned by the number of referrals to IFRIC which relate to recently published standards, such as IFRS 11. We continue to think that more in-depth work should be carried out on the near-final draft of a standard before its final publication, perhaps by making the near-final draft more widely available for field-testing in operational conditions. The need to make amendments to a recent standard a short time after its publication (such as was the case with IFRS 11 and IFRS 15) is very disruptive to preparers and damaging to the standing of the body of IFRS.

7 Do you have any other comments on the IASB's work plan?

We note that convergence with the USA is no longer on the Board's agenda. Nevertheless, we think that the Board should state clearly the extent to which work undertaken by the FASB on standards which were deemed to be converged could influence the Board's work programme. For example, in the case of Business Combinations, the IASB's initial view of carrying out research into the definition of a business in view of a Discussion Paper quickly evolved into the intention of publishing an ED on the topic in order to remain in step with the FASB's proposals. We are not contesting the decision to publish an ED rather than a DP, or the proposals that will be made therein, but we would like the IASB to state clearly its position on common/converged standards with the USA. The question raised is that of the extent to which the FASB's work programme will influence both the content and the timing of that of the IASB.

8 Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not? If not, what interval do you suggest? Why?

We think that it is preferable to remain on the current, three-year cycle, since this allows the Board and its constituents to react more quickly to the rapid changes in the economic environment and constituents' concerns. Consultations on a three-year cycle should not mean that there should be a radical change of direction each time but should allow all concerned to confirm that the direction taken is still the right one.