



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



A F E P

Association Française des Entreprises Privées

IASB  
30 Cannon Street  
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Paris, November 6, 2008

**Re : Improvements to IFRSs**

ACTEO, AFEP & MEDEF welcome the opportunity to comment on the exposure draft “Improvements to International Financial Reporting Standards”.

We agree with the scope of this project. All amendments proposed are worth dealing with and are best dealt with as part of the annual improvement process. We have nevertheless reservations about some of the decisions reached, as described below.

**1- Modifying IFRS 8 requirements**

As the main objective for issuing IFRS 8 Operating segments was to achieve convergence with USGAAP, we agree that the Board should eliminate the current contradiction between IFRS 8 and long-standing interpretations of SFAS 131 which govern the present application of the standard in the US.

However, we believe it takes more than just amending the basis for conclusions. IFRS 8 in its current wording reads as requiring segment assets to be presented regardless of whether the information is part of the reporting presented to the chief operating decision maker. Indeed paragraph 23 introduces a difference between reporting a measure of segment assets and of segment liabilities. Only the latter is required only if and when provided to the chief operating decision maker. The two others (measure of profit and loss and segment assets) are required in all circumstances. We observe that bases for conclusions are meant to explain the decisions made by the Board, not to provide an interpretation of the current text. We further note that the current wording places a measure of segment profit and loss and segment assets on the same standing. Furthermore BC1-BC3 of the exposure draft clearly describe a change in the Board's thinking and change in decision.

Limiting the change to the basis for conclusions would in our view carry the following consequences:

- from a European point of view, and possibly in other areas, no amendment of IFRS 8 would be considered; as a result, no change should be triggered in practice, leaving the potential divergence in practice open,

- any later interpretation of SFAS 131 could be considered as a valid interpretation of IFRS 8, without the IASB having any control of the application of its own standard,
- Entities could validly doubt that a measure of segment profit or loss is required, as the same wording applies to both the measure of segment profit or loss and segment assets.

For the above reasons, we believe an amendment of paragraph 23 is required, in order to place segment assets and segment liabilities on the same standing and distinguish them from segment profit or loss. The IASB should not fear any hick-up in the adoption process of the revised IFRS 8 in Europe as the amendment does not relate to previous sources of controversy.

## **2- IAS 18 guidance on the distinction between agent and principal relationships.**

Concerning IAS 18 Revenue, we fully support the inclusion in the appendix, of supplementary guidance on determining whether an entity is acting as a principal or as an agent. We also agree with the choice made for a high-level guidance.

## **3- Definition of prospective application in IFRS**

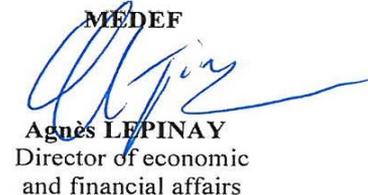
We observe that from time to time, either under the cost/benefit constraint or in order to avoid hindsight, the Board decides that an amendment or new standard should be applied prospectively. Conditions of prospective application may vary, and we believe that the inter-action between prospective application and comparative information requirements should be clarified. Conditions of prospective application are particularly unclear when applying the new requirement does not trigger any restatement of retained earnings, for example when the amendment impacts presentation requirements. In the context of the annual improvement project, the need for clarification arises when applying prospectively the proposed amendments to IFRS 5 and IAS 7.

We also believe that the transitional provisions related to IAS 39 should precise that the amendment proposed for embedded derivatives is meant to apply to new contracts for which the agreement date is on or after 1 January 2010 only.

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

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