

## FOCUS

### Better Communication

ANC has organised on September 6, 2017 a public outreach in cooperation with EFRAG on the “Better Communication” project aiming to identify French preparers and users’ needs in terms of financial information. This topic has focused on the four following questions:

- ▶ How should the standard setting process take into consideration non-GAAP information?
- ▶ Is it possible or desirable to define sub-totals in the primary financial statements?
- ▶ Is it possible or desirable to structure financial statements according to entity economic cycles (operating, financing, investing)?
- ▶ Is digital accounting information compatible with structured information?

On October 2, 2017, the ANC Board published its comment letter in response to the discussion paper published by the IASB in March 2017 on “Principles of disclosures”; first step of the largest “Better Communication” project. ANC’s key messages focus on the following aspects:

- ▶ The “Better Communication” project’s key success factor relies on the IASB’s ability to give a clear direction with the view to modify stakeholders’ behavior (preparers, users, regulators and auditors);
- ▶ The stakes and constraints resulting from changes in the financial communication technological environment, and from digital tools’ development need to be taken into consideration in this analysis;
- ▶ The project incompletely addresses questions aiming to define the boundaries between financial communication and financial information, as well as the objectives of the primary financial statements and notes to the financial statements;
- ▶ Doubts have emerged on the ability to achieve the IASB aim to define performance measures (EBIT, EBITDA...) that would apply to all IFRS compliant entities. The position can notably be explained by the diversity of current practice as well as by the lack of relevance of this type of indicators in some industries (financial sector for instance).

## Achievements

### Regulations and positions adopted by ANC’s Board during the 2<sup>nd</sup> semester

ANC Board adopted during the last semester the following regulations and positions:

- ▶ Regulation ANC n° 2017-03 dated November 3, 2017 that modifies regulation ANC n°2014-03 on the National accounting code (*Plan Comptable Général*) regarding mineral resources exploration and evaluation costs;
- ▶ Regulation ANC n° 2017-04 dated December 1, 2017 that modifies regulation CRC n° 1999-02 related to consolidated financial statements of commercial companies and public companies regarding the entry of a HLM entity in the consolidation perimeter;
- ▶ Regulation ANC n° 2017-05 dated December 1, 2017 that modifies regulation ANC n° 2014-01 related to financial statements for open-ended collective investment schemes, regarding loans granted;
- ▶ Regulation ANC n° 2017-06 dated December 1, 2017 that modifies regulation ANC n° 2016-02 related to financial statements of securitization funds regarding loans granted;
- ▶ Regulation ANC n° 2017-07 dated December 1, 2017 related to the harmonisation of the accounting rules and the financial statements of the collective management organisations of copyright and related rights;
- ▶ Comment letter to EFRAG and IASB on ED 2017/2, improvements to IFRS 8 and IAS 34 ;
- ▶ Two comment letters on IFRS-IC decisions dated June (IAS 28, IAS 37, IAS 38, IFRS 3 and IFRS 9 standards) and September (IFRS 15 standard);
- ▶ Comment letter to IASB on the post-implementation review on IFRS 13, fair value measurement;
- ▶ Comment letter to EFRAG and IASB on DP 2017/1, principles of disclosures ;
- ▶ Comment letter to IASB on ED 2017/4, proposed amendments to IAS 16: proceeds before intended use.

All regulations adopted in 2017 by ANC Board have been endorsed by a decree on December 26, 2017 published in the French Government Gazette (*Journal Officiel*) n° 0304 on December 30, 2017.

Patrick de Cambourg’s participation in conferences:

- ▶ **October 5 2017** : 7<sup>th</sup> National conference on intangible assets
- ▶ **October 11 2017** : AFG European Congress of Asset Management
- ▶ **October 18 2017** : National Forum for not for profit entities
- ▶ **November 14 2017** : SKEMA Conference around sustainable finance
- ▶ **November 17 2017** : PWC French Gaap and IFRS conference Year-end closing

- ▶ **January 30 2018** : IMA Feedback on 7th Symposium on Accounting research
- ▶ **Mars 16 2018** : Workshop ETF Indexing & Smart Beta Forum

#### France :

CNP:	18 January - 15 February 15 March – 12 April
CNI :	15 January – 13 February 13 March – 3 April
Collège:	12 January - 2 February 9 March – 6 April

#### International :

17-18 January	EFRAG TEG
6 February	EFRAG Board
7-8 March	EFRAG TEG
20 March	EFRAG Board
5-6 April	EFRAG TEG
12-13 April	IFASS in Mumbai
16-17 April	ASAF in London
23 April	EFRAG Board

## Focus on business loan granted by collective management organisations or entities

In order to increase the sources of business funding, securitisation funds (*organismes de titrisation - OT*), professional specialised investment funds (*fonds professionnels spécialisés – FPS*), limited partnerships (*sociétés de libre partenariat – SLP*) and innovation focused mutual funds (*fonds communs de placement dans l'innovation - FCPI*) can grant business loans under specific conditions. This is also the case for joint-stock companies (*sociétés anonymes - SA*) and limited liability companies (*sociétés à responsabilité limitée - SARL*) in favour of entities with which they have economic links.

To take into account these developments, the ANC regulations n° 2017-05 and n° 2017-06 dated December 1 2017\* specify the accounting treatment of loans granted respectively by FPS, SLP and FCPI on the one hand and by OT on the other hand. With regard to loans granted by a company, their accounting treatment is specified in an infra-regulatory commentary under article 214-25 of the PCG in the [collections of accounting standards](#) for the annual accounts of industrial and commercial enterprises in France dated January 1, 2018.

In all these cases, given their similarity, loans are analysed as receivables:

- FPS/SLP/FCPI: initial recognition at current value (i.e. market value or, if not available, a value estimated by the management company taking into account all risks (liquidity, interest rate, counterparty)). Changes in value are recognised in equity;
- OT: initial recognition at nominal value. Subsequently, impairment methods depend on whether the OT intends to hold them to maturity or not;
- SA and SARL: initial recognition at nominal value. Subsequently, if the current value is lower than the net book value due to a non-irreversible cause, a corresponding charge is recognised in the income statement.

\* Regulations applicable to annual periods starting on or after January 1, 2018, with possible early application to annual period ongoing on December 31 2017.

## Focus on : After the endorsement, implementation of IFRS9

2018 will be the first year of application of the IFRS 9 standard on financial instruments. This update of the previous IAS 39 standard is the IASB's response to the 2008 financial crisis and will have a significant impact on financial institutions. While entities are completing their implementation process which started a couple of years ago, let's review the debates which have taken place in European Union since the endorsement of the standard; some of them are still ongoing.

In its [advice in 2015, EFRAG](#) supported the endorsement of IFRS 9 except for one qualification and, in addition, made several remarks. The advice acknowledged the conceptual improvements in the standard, in particular the prudence introduced by recognising losses as expected rather than as incurred. The qualification related to the lack of interest for insurers to apply IFRS 9 to their assets until the new insurance standard (IFRS 17, issued in May 2017) comes into force in 2021. Finally it raised several concerns, among which the difficulties of applying the standard to long term investment in equity instruments.

In light of that advice, the European debate (especially at the European Parliament) has been fruitful. IASB has issued specific amendments to insurance activities, that Europe extended to bank-insurers, so that the standard will apply at the same time as IFRS 17, in 2021. In addition, the European Commission mandated EFRAG to analyse the impacts of IFRS 9 and to provide suggestions on long-term investment, and therewith also meeting the expectations of the High Level Expert Group on sustainable Finance.

On the one hand, ANC echoes such debates by raising or supporting them in Europe; on the other hand, it accompanies the implementation of the standard by updating its [recommendation on the presentation of IFRS consolidated financial statement of financial institutions](#) or the interpretation by its [comments to the IFRS Interpretation Committee](#) (IFRS-IC).

The example of IFRS 9 shows how robust and profitable the accounting debate may be in Europe and notably in France, even after the standard has been endorsed.

## Focus on: Digitalisation, central topic of the Symposium on Accounting research (December 11, 2017)

The digitalisation of the economy is in progress, however and until now only few academic accounting researches have addressed this subject. The impact of this transformation on accounting seems clear. Mr Stolojan, Member of the European Parliament, testifies that *"new challenges are ahead accounting profession and the most important challenge is probably the digitalisation of the economy"*. What lessons can be learned for accounting standard setting and academics in finance and accounting?

Do dematerialisation of communication tools and will the possible expansion and acceleration of broadcasting information endanger the relevance of the financial information? Should the current financial communication way be re-thought? Could the profusion of financial information question the comparability of data between companies?

Do current accounting principles represent a faithful and relevant picture of the new transactions and processes resulting from the digital economy? The debate on the recognition in accounting of certain assets has been raised : should we have to modify the accounting principles or should we have to define new additional disclosures (extra-financial, para-financial)?

The symposium by gathering numerous stakeholders in finance and accounting and in the digital economy as well, made it possible to illustrate and to debate on all these burning issues. No doubt that further academic researches will continue the job !

[Recordings of the debates are available on our website.](#)