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RÉPUBLIQUE FRANÇAISE



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Paris, 3rd August 2017

Chairman

Mrs Lloyd
IFRS Interpretations Committee
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

PDC N°70

June 2017- IFRS-IC tentative decisions

Dear Mrs Lloyd,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the IFRS-IC tentative decisions published in June 2017 IFRIC Update. This letter sets out some of the most critical comments raised by interested stakeholders involved in ANC's due process.

IAS 38 – Goods acquired for promotional activities

ANC concurs with the IFRS-IC that goods acquired for promotional activities are immediately expensed.

IAS 37 – Costs considered in assessing whether a contract is onerous

ANC acknowledges and agrees that the notion of “unavoidable costs of fulfilling a contract” can be understood and applied in different ways. While we appreciate the pragmatic approach taken by the IFRS-IC at the eve of the adoption of IFRS 15, we believe that accepting two different approaches will not reduce the diversity in practice. Therefore, ANC encourages the IFRS-IC or the IASB to initiate a project to provide further guidance and to foster consistency in the application of IAS 37. This project could be undertaken as part of the IFRS 15 Post implementation review (or sooner). Among other things, such a project would explore whether further variants or approaches exist. It would also clarify whether these approaches are accounting policies or accounting estimates in light of the current IASB's project on this topic.

In the meantime ANC's view is that neither conclusion nor guidance should be introduced in the decision.

IAS 28 – Acquisition of an associate or joint venture from an entity under common control

As mentioned in the agenda paper, the request has already been discussed by the IFRS-IC in January and May 2013. It then concluded that “*it would be better to consider this matter within the context of broader projects on BCUCC and the equity method of accounting*”. The scope of the BCUCC and equity method projects that is currently decided or contemplated will however not deal with that issue. Therefore, the Committee decided in March 2017 to reconsider the issue.

ANC fully supports the ambition of the Committee to address this issue but disagrees with the proposed wording for rejection and its conclusion. ANC believes that a more comprehensive analysis should be conducted before a conclusion can be made. For example, the IFRS-IC has not considered circumstances where a subgroup comprising subsidiaries and equity accounting investments are transferred within a group and whether it would be appropriate to apply the principles of predecessor accounting for the subsidiaries, and the principles of IFRS 3 for the equity accounted investments.

ANC therefore believes that the IFRS-IC should conclude consistently with its decision made in 2013 and encourage the IASB to enlarge the scope of its project on BCUCC to include this particular aspect.

ANC is also concerned by the reference to “*transactions with owners*”. Those transactions cover a much wider scope than only transfers of equity accounted investments within a group, e.g. sale of goods as part of intercompany transactions. ANC suggests removing such reference which could give rise to unintended consequences.

IFRS 3/IFRS 9 – acquisition of a group of assets that does not constitute a business

ANC does not disagree with the two approaches suggested by the IFRS-IC. However, in light of the future amendment of IFRS 3 on the definition of a business, ANC believes that this issue could become far more widespread than currently observed based on the outreach conducted by the IFRS-IC. ANC therefore recommends that the IFRS-IC adds this issue to its agenda to foster consistency.

Yours sincerely,

A handwritten signature in black ink that reads "Patrick de Cambourg". The signature is written in a cursive, slightly slanted style.

Patrick de CAMBOURG