

Summary

Three main developments have brought accounting standards to the fore :

- The globalisation of the economy and of economic regulations, which have led the European Union, as a precursor, to adopt International Financial Reporting Standards (IFRS).
- The specific nature of these standards, viewing companies and markets essentially from a financial angle, a different perspective from the legal tradition of continental Europe, and one susceptible of devastating effects, as evidenced by the financial crisis.
- European debates about the need to alleviate all constraints on SMEs, notably accounting requirements.

The Autorité des Normes comptables (ANC) was created by the French public authorities in this context, to take up positions in the general interest in the European and international debates, and to set accordingly standards in France, with the required legal force.

The strategic plan

The plan runs over two years, 2010 and 2011. Such focussed time span reflects the speed of current changes.

The strategic goals

Two priorities stood out from the start: accounting standards for SMEs and international accounting standards.

Two other fundamental objectives were identified:

- Accounting research appeared as an essential new priority embedded in the foundation project of the ANC.
- The ANC, which has the legal capacity for making regulations, will also undertake a project updating French accounting standards.

Finally, the ANC sets for itself objectives of process and will endeavour to maintain professionalism in its activity of accounting standard setting.

The “values”

The preparation work of the strategic plan revealed the pre-eminence of certain « values ». Accounting standards must be:

- Robust, based on reality;
- Clear, stable, relevant to companies' needs;
- Well in tune with their economic environment;
- Designed within a collective working framework engaging the whole community;
- Driven by public interest.

The strategic perspective

We are sailing through a period of transition, characterized by the coexistence of different sets of national and global, constantly evolving standards, which we need to learn to articulate. In this context, the ANC's ambitious objective ANC is to contribute to staging a fair “centre of gravity”.

Which strategic goals?

Accounting standards for SMEs

Provide companies with a choice between international and European standards, and alleviate the requirements for the smallest companies

The ANC identifies two issues in the debate relative to the modernisation of European Accounting directives from which French accounting law stems:

- Preserve the legal security provided by the current environment which links accounting, law and taxation ;
- Prevent SMEs from having to apply complex and uncompleted international standards, designed for the largest and global companies and for financial market participants.

The ANC is promoting a global and original project of modernising the European framework.

Many current proposals largely ignore the persistent motives for offering a two-way accounting framework in Europe. Yet, in reality, European companies fall in one of the two following categories:

- The largest one include some thousands of listed companies, whose activities and environment are global and exposed to international financial markets, calling for international standards;
- The other includes some millions of companies, which need the robust and stable European/national accounting standards for their own management and their good and reliable interaction with all business partners.

The logic of preserving two distinct “routes” for these two separate sets of companies is thus well anchored in economic reality.

The IFRS and the national standards set within the framework of the European directives respectively addresses those different objectives. As long as such differences persist, it is essential that the choice is available to the companies, and that it is organised in a unified framework, namely the European Internal Market, the only one that offers the required fairness and comparability.

In addition, SMEs critically need, whether listed on the Stock Exchange or not, simplified standards.

The ANC therefore formulates and develops the following concrete proposals:

- Preserve, for each company to choose based on its economic situation, the two-way system, namely IFRS and the European/French standards, as well as the possibility to move from one to the other as needed ;
- Modernise the European standards without modifying their nature, nor complexifying through the introduction of a third set of accounting standards ;
- Simplify European standards for the smallest non-listed companies ;
- Simplify IFRS for the small listed companies.

International accounting standards

Ensure that international accounting standards give a view that is economically and not only financially relevant

The ANC identifies two major issues:

- Conceptually, the international standard setter identifies the investor as the privileged user of the accounts, supposedly interested in finding in such accounts the instantaneous value of the company. However, in France and in most of Europe the accounts are a central part of the legal organisation, in which they provide a unique set of reliable numbers, established with a middle-term perspective, to numerous stakeholders, among them: the company itself for its management, its shareholders, creditors, employees as well as the tax authorities.
- In terms of governance, the IASB does not ensure a satisfactory representation of all such stakeholders.

Act to influence international standards, so that they more faithfully reflect economic reality

- Return to fundamentals, in order to ensure the reliability of the accounts and bring back confidence; therefore reverting to key fundamental questions: Who are the users of the accounts? What are the accounts used for? Who ensures the quality of accounting?
- Take a clear stance on each of the main items of the work plan of the IASB in order to revise it on the basis of the following priorities:
 - Finish what needs repairing, in particular at the request of the G20, in order to draw the lessons from the financial crisis, albeit without compromising on the unsatisfactory IFRS 9 project.

- Not to complete those projects which could lower the quality of the standards, i.e. not compromise on the quality of standards for conducting convergence projects at all cost ;
- Take the time to discuss those subjects with an important economic impact where no consensus exists.

In this respect, several priorities have been identified for the ANC to focus on: financial instruments, « counter-cyclical» provisions, hedging, insurance contracts, financial statements presentation, revenue recognition, lease contracts.

Share and implement the objective of a more balanced IASB

Achieving these objectives supposes needed changes in the governance of the IASB and that the views of all interested parties are taken into account. This includes:

- Bringing back public interest at the heart of the IASB's objectives and accounting standard setting;
- Making an active contribution to finding a more balanced governance, more particularly by broadening the diversity of the IAS Board membership;
- Work towards rebuilding a genuine European position.