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Monsieur Hans HOOGERVORST
Chairman
IASB

30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Re : Request for Information – Post-implementation Review: IFRS 8 Operating Segments

Dear Sir,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned Request for Information. These views result from the ANC's due process, involving all interested stakeholders. More precisely, the due process includes fundamental work by a diversified experts working group, a full fledged discussion of its assessment by a complete Commission for all International standards and then a global and strategic discussion in the collège (Board) before this letter was signed.

To be more precise on the approach followed by the ANC in drawing up our answer to this request for information, the ANC brought together a range of French interested parties on the implementation of the IFRS 8 standard to a working meeting. A very large number of preparers, users, accounting firms and regulator attended this meeting. Our main conclusions are summarised as follows:

From a general standpoint, the ANC approves of the fact that the IASB is required to conduct a post-implementation review of each new IFRS or major amendment. Indeed, this review should be the opportunity to assess the effects of the new standard's requirements on interested parties in view of the objectives assigned to the standard in terms of addressing needs that have been evidenced and to identify potential deficiencies which have to be improved. However, in assessing how a standard has been implemented, care needs to be exercised in order to distinguish between (the cases enumerated hereafter do not constitute an exhaustive list) i) cases that are a matter of enforcement, because the standard has not been properly applied, and which would not lead to requiring changes to the standard from ii) cases where the standard is unclear thus leading to diversity in practice, which itself needs to be analysed in order to determine whether improvements or clarifications are warranted, as well as from iii) cases where the information provided is not useful (enough) for users or not relevant, which would entail changes to be brought to the standard.

As regards the specific case of IFRS 8, the ANC considers that overall the standard has been working well. Moreover it offers some significant advantages

- IFRS 8 requires that entities report segments that correspond to internal management reports. This approach results in information provided to the users that management recognises as its own measure of performance and allows users to review an entity's operations from the same perspective as management.
- IFRS 8 improves the consistency between the financial statements and the management commentary, as well as generally other financial communications to users, thus enhancing users' understanding of the business.
- Adopting the same information structure for internal and external purposes simplifies and accelerates financial reporting, in particular for interim periods. Indeed, segment reporting is less burdensome for entities because only one segment-reporting process is required for both internal and external reporting. Therefore, entities are able to provide segment information faster and without significant additional cost.

Nevertheless, the ANC identified specific issues where the current requirements seem to be unsatisfactory, and, if addressed, would improve the existing standard.

- Measures used in segment information – The ANC recognises that the reconciliation between segment information and amounts reported in the income statement and balance sheet could be improved. Indeed, the reconciliation at a global level as requested by the IFRS 8 standard is not useful information for users of financial statements. In order to compare segments across entities, users need a reconciliation between the non-GAAP measures used to disclose the performance of operating segments and the operating result which is built on IFRS figures, for each segment disclosed.

The ANC acknowledges that such reconciliation would provide better information for users of financial statements, in particular (i) to enable the comparability between segments of the same entity and also between segments of different entities within the same industry and (ii) to build more reliable forecasts of entity cash-flows. Moreover, this could also reduce the difficulties in analysing the 'others/reconciling' column. However, the ANC is concerned that such reconciliation has significant limits : (i) allocation of entity's transversal costs (eg foreign currency translation adjustments) by segment is not easy to establish and therefore, could be produce incorrect amounts (ii) users want a reconciliation with the "operating result" which is not defined as an IFRS-GAAP measure in IFRSs and (iii) this would change the principle of the standard itself.

- Information about geographical areas – Entities are required to report geographical information as listed by the standard. Some information (e.g.: goodwill by country) does not appear to be useful for users of financial statements. The IASB should therefore review disclosure requirements to ensure that all the required disclosures provide beneficial information for users. In addition, the ANC would like to point out that such possible improvement of disclosure requirements would have to be consistent with the objectives to be set within the "disclosure framework" project.

Overall, since the ANC considers that IFRS 8 works reasonably well, notwithstanding the comments made above in terms of improvements that could be brought to the standard, there is no sense of urgency on this subject. This is particularly true in the context of the IASB's pending discussions on performance within the conceptual framework.

To be complete on this subject, the ANC considers that if IFRS standards were closer to entities' business model, operating segments would provide a better understanding of entities' performance and the issues raised as regards reconciling the segment information to IFRS would be substantially reduced. Finally, the ANC is very concerned that the gap between performance reviewed by entities' management and performance established in accordance with IFRSs could increase significantly with the implementation of new, be it recently published or future, standards (Consolidation, Joint-ventures, Revenue Recognition and Leases).

If you have any questions concerning our comments, we would be pleased to discuss them.

Yours sincerely,

Bien à vous



Jérôme HAAS