

## Focus

**" accounting as the linchpin of performance measurement "**

From a dynamic standpoint, accounting is primarily a management instrument that must allow for monitoring, understanding and optimising value creation. The primary user of the performance measurement is the governing body, or the business owner. Transparently and with a high degree of continuity, the company meets its obligations to users, all users whom first and foremost naturally include the shareholder, who can be seen as the co-business owner. The second purpose is to give an overall accrued patrimonial approach, providing a clear statement of assets and liabilities at a given point in time.

## Achievements

**" the French accounting community: real capacity for action "**

Driving debates, discussing and exchanging ideas among all accounting sector players is a good way to take a step backwards to assess current accounting standards and therefore be in a better position to draft the standards of the future. In addition to the work currently under way in the various working groups, Committees and the College, there was also a great deal of activity at the end of 2016: the accounting community came together for the Symposium on Accounting Research on December 12 on the theme "Accounting and Performance", while on the same day, the awards ceremony took place to distribute the trophies for accounting excellence to Emmanuelle Cordano, Philippe Danjou and Bernard Colasse in recognition of their major contribution to the standard-setting process. The EFRAG Board meeting was then held in the ANC offices (*Autorité des Normes Comptables*, French Accounting Standards Authority) in Paris on December 13 in the presence of several non-European accounting standard-setters.

## Ambitions

**" French standard-setting strategy: combining short and long-term views "**

ANC governing bodies, the College, and the ANC's Private-Sector Accounting Standards Committee (CNP) and International Accounting Standards Committee (CNI) were recently renewed on January 1 for a period of three years. The ANC's strategy will therefore be interpreted and implemented with a new team. It is vital to combine short-term actions on the modernisation of French accounting standards with long-term moves to address international matters via the creation of a solid basis for consideration. Against this backdrop, a fresh call for research projects is therefore being prepared.

Françoise Florès has joined the IASB as Board member on 1 January 2017

Publication of the three-year ANC's report for 2014-2016, « Modern and balanced accounting standards to serve the public interest »

New EFRAG's advisory committees (Academic panel, pensions, rate regulated activities)

In February bilateral meetings between ANC and Japanese and Korean Standard setters



### France :

CNP: 16 March-20 April-18 May  
 CNI : 14 March-18 April-6 May  
 Collège: 10 March- 7 April- 5 May  
 26 April: Seminar on the role of accounting standards in the energy transition

### International :

2-3 March: IFASS in Taipei  
 6-7 March : ASAF in London  
 22 March: EFRAG Board  
 29-30 March: EFRAG TEG  
 11 April: EFRAG Board  
 10-11 May: EFRAG TEG  
 31 May: EFRAG Board





## Focus on Merger regulation

CRC (*Comité de la Réglementation Comptable*, Accounting Regulation Committee) standard No. 2004-01 of 4 May 2004 and CRC standard No. 2005-09 of 3 November 2005 set out the rules for recognising all merger operations and operations treated as such in individual accounts. These two standards currently make up Chapter VII of ANC standard No. 2014-03 relating to the general chart of accounts and outline the methods for valuing the items contributed as part of these operations, and in the context of the treatment of the interim period and dissolution operations.

Procedures for valuing items contributed are based on the contribution agreement, which is compulsory for this type of deal. So only one asset valuation method is applied for any one given situation: book value for operations under common control and actual value for operations with separate control. It is important to use the definitions applied to prepare consolidated accounts in order to analyse these concepts of control. The fundamental objective of these provisions is to ensure accounting neutrality of merger operations between entities under common control for the acquiring company's result and equity.

These two standards have been rounded out by various notifications from the CNC (*Conseil National de la Comptabilité*, National Accounting Board) Emergency Committee in response to questions on application encountered by preparers. Accounting policies and procedures for assessing merger losses were revised in 2015 as part of the transposition of the European accounting directive. After more than ten years of application of these provisions on mergers and operations treated as such, the ANC decided to embark on a review of these systems in order to factor in potential application difficulties and certain individual cases. The basic principles will remain the same and further details will be added to the scope of application, to the definition of contribution of shares representing control or to the valuation of contributions in the event of the creation of joint ventures and the standardisation of accounting methods after completion of contributions. Work should be completed during the first half of 2017.



## Focus on lease contracts

After many years of preparation, IFRS 16 *Leases* is about to be adopted by the European Union and will replace IAS 17. Under the new standard, the lessee is required to recognise debt on the balance sheet against a "right-of-use" for the leased asset. Following debates in the working groups and the various bodies, the ANC will express its support for adopting this standard, while highlighting its conceptual and practical limitations.

Firstly, let's look at the conceptual limitations. The Accounting Directive does not mention leases but does not rule either out their recognition on the balance sheet: this recognition is due to the interpretation of the economy of these contracts, which can be justified for the presentation of IFRS consolidated accounts. So the accounting distinction will disappear for the lessee between finance lease and operating lease: this distinction is currently open to varying interpretations depending on companies and sectors, particularly in transport (airline sector, shipping...). Furthermore, debt recognition, as opposed to the commitments mentioned in the notes to financial statement, should make interpretation and comparison easier. The debt is recognised balancing the "right-of-use" entry, whose accounting definition should not be confused with the French same-sounding term. The creation of this provision is based on a wider notion of "control", which only reflects certain aspects of the economic substance of a rental contract (to the detriment of the flexibility that it offers) and reflects to an even lesser extent its legal, tax and regulatory realities. In this respect, it cannot be recognised in the statutory financial statements.

Secondly, from a practical standpoint, the standard is supposed to avoid analysts having to make some restatements of debt ratios and help investors with stakes in listed companies. It is up to the preparers to list and analyse contracts and usage (estimated length of lease), but several companies do not yet have the necessary resources to collect and monitor this information. In view of this complexity, the standard does not seem appropriate for SMEs.



## Focus on Academics in accounting

There are reportedly between 400 and 600 Academics working on accounting, control and audit. While the teaching aspect of their role is often well known, the research dimension is less well understood.

What does accounting, control and audit research involve? There are probably as many answers to this question as there are areas for research. The aspect they have in common is probably the aim of looking beyond the mere technical aspects of this field by highlighting the importance of the context for accounting practice and its consequences in political, organisational and institutional terms. Examples of the questions that can be analysed by accounting, control and audit researchers are such as "What are the factors that foster the domination of the Big 4?" or "What are the consequences of the introduction of fair value on the management of assets?"

These questions are not entirely unfamiliar to accounting standard-setters and several researchers hope that they will use so-called academic research; the opposite would also be equally fitting. Standard-setters and researchers share a common area for investigation (such as the impact of standards on the "common good" with all the diversity that this term can cover), although there are major differences in terms of approach (research vs. action), final objectives (assessing the impact vs. decision-making), format (writing articles vs. drafting standards) and timeframe (long-term versus short-term). These differences mean that it is vital to establish very solid communication ahead of projects of common interest. The potentially useful nature of these discussions was broadly demonstrated via the FASB, IASB, EFRAG and France through its Symposium and as a result of calls to projects organised each year by the ANC.

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