la SOCIÉTÉ FRANÇAISE
des ANALYSTES FINANCIERS

April 17th 2015

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

ED Disclosure Initiative. Proposed amendments to IAS 7.

Comments by the French Society of Financial Analysts (SFAF)
Financial Analysis and Accounting Commission

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers), is pleased to submit its contribution as part of the consultation undertaken by the International Accounting Standards Board (IASB) on the Exposure Draft on the Disclosure Initiative-Proposed amendments to IAS 7.

SFAF represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS) which comprises 29 member organizations representing more than 16,000 investments professionals. Its Accounting and Financial Analysis Commission intends to represent analysts and fund managers in the debate on accounting standards. Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new or revised accountings standards.

For this reason, our Society, through its Accounting and Financial Analysis Commission, is keen to respond to your consultation on the proposed amendments on IAS 7. As a general remark, we want to stress that we fully support the project as it a very good example of small improvements (ie, no big change in concepts, or complete rewriting of a standard) that can really help users of financial statements on key elements, at a very limited cost.

Regarding the proposed reconciliation on financing activity, we believe it is a key improvement of the information provided by the cash flow statement. As financial analysts, we believe that most users of financial information mainly use, in fact, this statement to assess how the level of financial debt (either gross or net) has changed and could change in the future. This is a key element to assess the financial structure of a group, its risks and its sustainability. As a consequence of this use (debt assessment), which is inconsistent with the concept on which the cash flow statement is based (cash), a reconciliation is a real necessity.

The experience of our members tells us that the two most important reconciliations needed are, by far, the debt effect of change in consolidation (either newly consolidated subsidiaries or disposal of former subsidiaries) and the foreign exchange effect. Other non-cash items like leases and change in fair value of debt are also needed but with a somewhat lesser demand. The reconciliation table presented on page 8 of the exposure draft, in particular with opening amount and the closing amount on each side, is very convenient, and easy to understand.

The only question we have is that the definition of debt is based on what is included in the financial part of the cash flow statement. We would like to be sure it would capture financial instruments like zero coupon bonds that have no cash interest outflow, but only a lump sum (interest and principal) at maturity.

We believe that providing this additional information would have a very limited cost for the companies, as we understand that, internally, it would also be needed to follow the evolution of debt, a key management duty. And it remains a pretty limited amount of information, while providing financial analysts with a very useful additional information, allowing us to better understand the evolution of debt, a key element of our work. We thus strongly disagree with the dissenting view from the Board member stating that this project does not meet the need of users.

Regarding the proposed disclosures on restrictions regarding cash, we would like, firstly, to state, that in spite of existing obligations regarding cash restrictions, we have seen very few examples of such disclosures, even in some cases where we believe that this would have been necessary. We note also that the wording of the paragraph 50A in the ED is rather unclear: are restrictions only related to tax liabilities?

We believe that, when a significant tax liability would appear if a sum of cash was transferred, the amount that could be really considered as cash (i.e. a resource readily available for the group) might thus be significantly lower, and the assessment of the financial structure (leverage and liquidity) could be changed. Disclosing, that a significant amount of tax might be paid if the cash is transferred inside (or outside) the group is thus very relevant for users of financial statement, to better assess the financial structure.

We thank you for the opportunity given to us to provide our view on such important aspects of financial reporting and remain available for any further information.

Yours faithfully,

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