

Alan Teixeira
Senior Project Manager
International Accounting Standards Board
30 Cannon Street,
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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 its exposure draft of proposed amendments to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 19 *Employee Benefits*.

SFAF represents 1,700 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS). Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on certain consequences of the exposure draft.

SFAF has worked with the French national standard-setter, Conseil National de la Comptabilité, in its working group and thinks that most of the points developed in their contribution are reliable. In this contribution we will focus our comments on the parts which we consider the most important in the investor and user aspect.

Fair value

Concerning IFRS 3 we have noticed in the BC 16 & 17 that the Board believes that the goodwill is at the moment a mixture of some current exchange prices and some carry-forward book values for each earlier purchase, these inconsistencies result in information that is not as complete and as useful as it would be without them. Therefore, the Board decided that the measurement objective in accounting for business combinations should be the fair value of the acquiree on the acquisition date rather than the costs incurred in a business combination.

Even though this reasoning seems to be accurate, we are not fully convinced that it will bring a more complete and useful information. In our view it will only provide a different kind of information which isn't comparable to the current one. Nowadays, accounting gives information about the price agreed by both acquirer and acquiree which is basically the fair value at the time exchange happened.

We would point out that mixtures are happening almost everywhere in the balance sheet. Buying two similar assets at different times and prices would result in aggregating them wrongly in the same line. However, this is often the case in practice.

We have noticed that the exposure draft mentions, quite rightly, the case of the bargain purchase or the overpayment which can't lead up to the fair value of the exchange. However, the Board recognises itself that the treatment proposed concerning the bargain purchase is not consistent with the fair value measurement principles and concluded that the accounting for overpayments is best addressed through subsequent impairment testing when evidence of a potential overpayment first arises. Those proposals don't seem to bring a suitable approach with the principles developed in the rest of the exposure draft. It also indicates that full goodwill assessment is in fact difficult.

Goodwill measurement and recognition

The board observed that paragraph 26 of the framework states that 'to be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluation.' Therefore, the Board believes that an entity's financial statements provide users with more useful information about the entity's financial position when they include all of the assets under its control, regardless of the extent of ownership interests held. Thus, the Board concluded that the full goodwill method is consistent with the concept.

However, intangible assets and especially goodwill are among the most difficult assets to measure and that's one of the particular tasks of financial analysts. Various use of financial statements could reach to different conclusion on the valuation and thus of its goodwill. The figures provided for the goodwill will not be used by users in most cases to reach conclusion on valuation.

Additionally, we believe that consolidated financial statements should focus on providing information to the shareholders of the parent company. Providing information on goodwill attributable to minority interests has thus very much less interest.

Consequently, we find this proposal conceptually interesting but not as important and relevant as the Board seems to consider.

Therefore, we agree with the five Board members Alternative Views which are formulated in the AV2 to AV7 paragraphs in the Basis for Conclusions on Exposure Draft of Proposed Amendments to IFRS 3 Business Combinations.

We hope you find the above comments helpful. We thank you for the opportunity given to us to contribute to the accounting standardisation process and we remain available for any further information.

Yours faithfully,



Franck CEDDAHA,
Chairman of the Accounting
and Financial Analysis Commission



Alain CAZALE,
Chairman,
Société Française des Analystes Financiers