



AUTORITE DES NORMES COMPTABLES
5, PLACE DES VINS DE FRANCE
75573 PARIS CÉDEX 12
Phone (+ 33 1) 53.44.28 53
Internet <http://www.anc.gouv.fr/>
Mel patrick.de-cambourg@anc.gouv.fr

Chairman

PDC N° 03.

Paris, January 15th, 2018

Monsieur Jean-Paul GAUZES
Chairman – EFRAG Board
IFRS Foundation
35 square de Meeûs
B1-000 Bruxelles
Belgium

Re : Exposure Draft ED/2017/5 – Accounting Policies and Accounting Estimates – Proposed amendments to IAS 8

Dear Mr Gauzès, *cha Jean-Paul,*

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned draft comment letter on the Exposure Draft “ED/2017/5 Accounting Policies and Accounting Estimates – Proposed amendments to IAS 8”. This view results from ANC’s due process, involving all interested stakeholders.

ANC supports EFRAG’s comment that Exposure Draft does not fully meet the objective of clarifying the criteria for distinguishing between an accounting policy and an accounting estimate, in relation to the application of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and that, because of this lack of clarity, proposed changes might not have a significant impact on the diversity that currently exists.

ANC’s detailed comments and responses to the questions in the ED are set out in the Appendix.

If you wish to further discuss our comments, please do not hesitate to contact us.

Yours sincerely, *Bien amicalement.*



Patrick de CAMBOURG

IASB's Question 1

The IASB proposes to change the definition of accounting policies by removing the terms 'conventions', 'rules' and amending bases to 'measurement bases' (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

ANC broadly agrees with EFRAG's position to support the proposed clarification of the definition of accounting policies:

IASB's Question 2

The IASB proposes to:

- (a) clarify how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and
- (b) add a definition of accounting estimates and remove the definition of a *change* in accounting estimate (see paragraph 5, and paragraphs BC9–BC16 of the Basis for Conclusions).

Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?

1. ANC considers that defining accounting estimates only in the context of measurement uncertainty is too restrictive.
ANC agrees with EFRAG supporting the proposed modifications regarding accounting estimates. However the proposals are not sufficient to
 - a) address the diversity in practice in a manner that would improve financial reporting and
 - b) clarify the criteria for distinguishing between an accounting policy and an accounting estimate.
2. ANC does not support EFRAG's recommendation to provide additional guidance and examples, since it may not clarify but instead raise new interpretation issues.
3. ANC considers that IASB should emphasise that the possibility of reversing the change is the main feature of an estimate. Indeed, as mentioned in IAS 8.34: "*An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.*"
4. In addition, ANC proposes that an entity should disclose when relevant in the notes to the financial statements the reasons for the change in accounting estimates, especially for changes in valuation technique.

IASB's Question 3

The IASB proposes to clarify that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC18 of the Basis of Conclusions).

Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

ANC agrees with EFRAG proposing further guidance about changes in estimation techniques or valuation techniques. ANC considers that the proposition of the definition mentioned in paragraph 32A is not sufficient to define a clear border between what can be considered as an accounting policy and what can be considered as an accounting estimate.

This new definition would certainly bring more cases as accounting estimate than in the past.

IASB's Question 4

The Board proposes clarifying that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

ANC agrees with IASB's proposal and considers that the proposed change to IAS 8 is sufficient to address the issue. ANC considers that the proposed amendment in paragraph 32B is actually dealing with a "principle" of accounting policy. Indeed, the IASB proposes that there are two accounting policies to measure assets and liabilities: either at cost or fair value. These accounting policies are defined in each standard. As IAS 2 refers only to cost formula, except for "*items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects which shall be assigned by using specific identification of their individual costs*", ANC considers that both cost formulas are accounting policies.

