

Beyond the GAAP

No. 59 – September 2012

Following the summer break, it's back to school for the IASB, with even more new projects. Its work plan now includes three new limited amendments projects and three new research projects. Notably, the Board has decided to publish a revised exposure draft on phase II of *IFRS 4: Insurance contracts*.

Another significant event this autumn is the publication of a review draft on the general hedge accounting model (micro-hedging), after four years of work by the IASB. The review makes some big changes from the current IAS 39, in line with the amount of time taken to get there!

Happy reading!

Michel Barbet-Massin

Edouard Fossat

Editorial Contents

Highlights

IFRS

page 2

A Closer Look

Revision of hedge accounting under IFRS: review draft published on general hedge accounting **page 5**

Ongoing joint redeliberations on Revenue Recognition **page 14**

Impact of latest amendment to IFRS 7 on 30 June 2012 financial statements **page 17**

Events and FAQ

page 24

Editors in chief:

Michel Barbet-Massin, Edouard Fossat

Columnists:

Claire Dusser, Pauline Gouin, Vincent Guillard, Carole Masson, Didier Rimbaud, Arnaud Verchère and Mathieu Vincent.

Contact us:

Laurence Warpelin
Head accounting standards
laurence.warpelin@mazars.ch
Tel. +41 21 310 49 03
www.mazars.ch

Denise Wipf
Director
denise.wipf@mazars.ch
Tel. +41 44 384 93 75

News

Mr Hoogervorst gives speech on the concept of prudence

On 18 September 2012, IASB chairman Hans Hoogervorst delivered a speech on "The concept of prudence: dead or alive?" at a conference organised by the Federation of European Accountants (FEE). In his speech, Mr Hoogervorst said that although the concept of prudence had been removed from the Conceptual Framework in 2010, it is present in all standards and plays a key role in developing new ones, particularly those relating to the recognition of financial instruments. His speech is available on the IASB website via the following link:

<http://www.ifrs.org/Alerts/PressRelease/Pages/prudence-speech-Sept-2012.aspx>

New Office Director for Asia-Oceania

On 13 September 2012, Mitsuhiro Takemura was appointed as the IASB's new Office Director for the Asia-Oceania region. Mr Takemura, who is currently a Partner at Deloitte, already has experience in standard-setting from his role as a Technical Fellow of the IASB and a former member of the technical staff at the Japanese Accounting Standards Board.

Mr Takemura's role will be crucial in facilitating cooperation and involvement in the IASB's activities in the Asia-Oceania region.

This announcement suggests that the IASB is keen to develop and strengthen its links with other regions of the world, beyond the US and Europe.

➤ IASB updates work plan

The Board made a number of important decisions in September, requiring updates to its work plan as of 1 October 2012.

The main changes to projects already on the work plan were as follows:

- *IFRS 9: Accounting for macro hedges*: the publication of the Discussion Paper, which was originally scheduled for the second half of 2012, has been postponed to the first quarter of 2013;
- *Leases*: the new exposure draft on the recognition of leases has been postponed yet again, and is now scheduled for the first quarter of 2013 (see following pages for the Board's decisions);
- *Insurance contracts*: the Board has finally decided to publish a new exposure draft, scheduled for the first half of 2013 (see following news item);
- *Annual Improvements 2010-2012*: the final standard, which was previously scheduled for the first quarter of 2013, is now expected in the second quarter (cf. Beyond the GAAP No. 57, June 2012);
- The interpretations "Levies Charges by Public Authorities on Entities that Operate in a Specific Market" and "Put Options on NCI" are scheduled for the 1st and 2nd halves of 2013 respectively (for more details on these proposed interpretations, see Beyond the GAAP No. 57, June 2012);
- *IAS 8: Effective date and transition methods*: the publication of the exposure draft is still scheduled for the second half of 2012. However, the staff will recommend that the Board should put this project on hold, pending broader discussions of required disclosures as part of the Conceptual Framework project;
- *Post-implementation review of IFRS 3*: the review of IFRS 3 has been postponed for one quarter, and will now be launched in the first quarter of 2013.

The IASB has also added three limited amendments projects to its work plan, with a view to publishing an exposure draft for each of them by the end of the year:

- *IFRS 10 and IAS 28: Sales or contributions of assets between investor and its associate/ joint venture* (for more details on this project, see Beyond the GAAP No. 58, July 2012);

- *IAS 28: Equity method of accounting: accounting for other net asset changes* (see following news item);

- *IFRS 11: Acquisition of an interest in a joint operation*;

Finally, the IASB has added (or restored) the following three research projects to its work plan:

- *Rate-regulated activities*: the idea of a standard on rate-regulated activities is not a new one. It was added to the IASB's work plan in December 2008, and then suspended in September 2010 due to a lack of consensus among the Board members on how to take the project forward. At the September 2012 meeting, the Board decided to restart the project, aiming to publish a new Discussion Paper in the second half of 2013;
- *IAS 41- Bearer biological assets*: the publication of a limited-scope exposure draft on bearer biological assets is scheduled for the first half of 2013. IAS 41 distinguishes between "consumable biological assets" and "bearer biological assets" but does not reflect this in the accounting treatment. The goal of the project is to determine whether a specific accounting treatment is required for mature bearer biological assets;
- *Conceptual Framework*: a Discussion Paper, covering elements of financial statements, the concept of a reporting entity, measurement, presentation and disclosures, is scheduled for publication in the first half of 2013.

➤ IFRS 4 Phase II – Towards a new exposure draft

Redeliberations on the proposed *Insurance Contracts* standard have been ongoing for some time.

However, prior to the meeting on 26 September 2012, no decision had yet been reached on how to take forward phase II of IFRS 4, i.e. whether to publish a review draft or a revised exposure draft.

The Board has now tackled this question and has decided to publish a revised exposure draft.

Given the significant changes made from the July 2010 exposure draft, the Board decided that a new exposure draft was necessary for the latest proposals, even if this prolongs the process still further.

However, given the tight schedule and the Board's wish to issue the final standard as soon as possible, the Board has decided to only seek feedback on a limited number of issues, on the grounds that the other topics have already been the subject of sufficiently in-depth discussions and redeliberations.

The targeted questions in the new Exposure Draft will relate to proposed requirements for:

- treatment of participating contracts;
- presentation of premiums in the statement of comprehensive income;
- treatment of the unearned profit in an insurance contract;
- presenting, in other comprehensive income, the effect of changes in the discount rate used to measure the insurance contract liability; and;
- the approach to transition.

The publication of the new exposure draft is scheduled for the first half of 2013.

We will keep you updated with the details of the new exposure draft over the coming weeks.

➤ IASB proposes amendment to accounting treatment of other changes in an investor's interest in an associate's equity under IAS 28

IAS 28 is clear on the accounting treatment to be used by an investor for some elements of the associate's equity, such as (a), the associate's profit or loss; (b) the associate's other comprehensive income; and (c) dividends distributed by the associate.

In contrast, the standard is not clear on the accounting treatment of other elements which have an impact on the associate's equity, such as (a) the repurchase (or issue) of shares by the associate; or (b) transactions between the associate and minority shareholders in its subsidiaries (repurchase of minority interests or sale of shares in subsidiaries to minority shareholders); or (c) the conversion of the associate's debt instruments to equity by third parties.

In practice, the IASB has proposed that these other changes in the associate's equity, which affect the carrying amount of the investor's proportionate interest in the associate, should be recognised through equity (rather than through profit or loss or OCI).

➤ Leases: impairment of right-of-use asset. What are the accounting consequences under the SLE approach?

As a brief reminder: the Boards had previously decided that there are two types of lease, each with its own rules regarding the time at which the lessee should recognise lease expenses (cf. Beyond the GAAP No. 57, June 2012).

These are as follows:

- The "Interest and amortisation" (I&A) approach, under which recognition of total lease expense will be front-loaded, i.e. will decrease over the duration of the contract.
- The "Single lease expense" (SLE) approach, under which total lease expense is recognised on a straight-line basis over the duration of the contract (the entity must adjust the amortisation expense of the right-of-use asset, such that the interest expense on the debt, which decreases over the duration of the contract, plus the amortisation expenses of the right-of-use asset, are equal to the total straight-line lease expense over the duration of the contract).

During this meeting, the Boards reiterated that if the right-of-use asset is impaired, this should be recognised in line with IAS 36.

With regard to the SLE approach, the Boards focused on lessee accounting and more precisely on how the lease expense should be recognised following an impairment of the right-of-use asset.

The following tentative decisions were made:

- The entity shall continue to recognise the remaining lease expense (i.e. after impairment of the right-of-use asset) on a straight-line basis over the remainder of the lease;
- However, the total lease expenses for a given period may not be less than the interest expense for that period.
- Thus, in the extreme case that the right-of-use asset is fully depreciated, the total lease expense to be recognised would equate to the decreasing interest expense. In this situation, the total lease expense over the remainder of the lease would *de facto* decrease and would thus not be straight-line.

Under this approach:

- the timing of recognition of interest expense would remain the same whatever the situation.
- The amortisation expense is adjusted if the asset is impaired, such that the total lease expense is recognised on a straight-line basis over the remainder of the lease.
- if the right-of-use asset is impaired in such a way that the amortisation expense is no longer sufficient to balance out the interest expense, then the total lease expense will no longer be straight-line over the remainder of the lease, but instead will decrease.

➤ Leases: sale and leaseback transactions

This month, the Boards added the following clarifications on sale and leaseback transactions:

- To determine whether or not a sale has taken place, entities shall refer to the control criteria set out in the Revenue Recognition project.
- The existence of a leaseback does not, in and of itself, prevent the transaction from being recognised as a sale and a leaseback.
- Thus, if the seller/lessee in a sale and leaseback transaction has the ability to direct the use of the asset and obtains substantially all of the remaining benefits from the asset, a sale has not taken place. This is the case when:
 - The duration of the lease covers the major part of the economic life of the asset; or
 - The present value of the lease payments equates to substantially all of the fair value of the asset.

- When a sale has not taken place, the sale and leaseback transaction must be accounted for as a financing arrangement.
- When a sale has taken place, the transaction shall be accounted for as a sale followed by a leaseback.
- If the transaction comprises several lease elements, an assessment of whether or not a sale has taken place must be carried out separately for each element.

Subscribe to Beyond the GAAP

Beyond the GAAP, MAZARS' monthly newsletter on accounting standards is 100% free.

To subscribe, send an e-mail to doctrine@mazars.fr including:

Your first and last name,

Your company,

Your e-mail address

You will begin receiving Beyond the GAAP the following month by e-mail in pdf format.

If you no longer wish to receive Beyond the GAAP, send an e-mail to doctrine@mazars.fr with "unsubscribe" as the subject of your message

A Closer Look

Revision of hedge accounting under IFRS: review draft published on general hedge accounting

After four years in the pipeline, the IASB has completed the hedge accounting phase of its project to replace IAS 39. The concrete evidence of progress appeared on 7 September 2012 in the form of a review draft on the general hedge accounting model (micro hedging), published on the IASB's website. Here, Beyond the GAAP sets out the key changes introduced by the review draft in comparison with the current IAS 39.

➤ Progress to date on the hedge accounting phase of IAS 39

What approach has the IASB taken?

The hedge accounting section is the third phase of the project to replace IAS 39 with IFRS 9¹.

The IASB has chosen to break down its proposals on hedge accounting into two parts:

- General hedge accounting model (micro hedging)
- Hedging in the context of open portfolios (macro hedging)

The review draft covers only the proposals on micro hedging and is a quasi-definitive version of the final standard, which is scheduled for publication at the end of 2012.

How does the review draft interact with macro hedging?

The IASB staff said at the end of July 2012 that macro hedging would be the focus of a separate standard, so as not to delay the publication of IFRS 9.

Therefore, the review draft removes all the paragraphs of IAS 39 which related to hedge accounting, except those relating to fair value hedging of a portfolio's foreign exchange risk exposure (81A, 89A and AG113-AG132). Issuers of financial statements may continue to apply these provisions until the future standard on macro hedging becomes available.

At the same time, the IASB is continuing to work on the accounting principles for macro hedging and is expected to publish a Discussion Paper on the subject in the first half of 2013.

Why did the IASB decide to publish a review draft?

Publishing a review draft before the final standard is not an obligatory part of the IASB's due process. By including this optional stage, the standard-setter is hoping to achieve three main goals:

- To give stakeholders the opportunity to comment on the clarity and intelligibility of the document. On this point, readers should note that the IASB's expectation is that feedback shall focus only on the form, as the Board completed its redeliberations at the end of 2011;
- To allow the US standard-setter (FASB) to study the IASB's proposals on general hedge accounting with a view to convergence; and
- To give itself the time required to complete outreach activities with stakeholders.

¹ The two other phases are 1 – Classification and measurement, and 2 – Impairment

A Closer Look

➤ General hedge accounting under IFRS 9

What is the stated objective of IFRS 9?

The stated objective of IFRS 9 is to ensure that hedge accounting reflects the reporting entity's risk management policy. To this end, the standard proposes several positive changes for entities, including:

- An increase in the range of hedged items which are eligible;
- More flexible criteria for effectiveness;
- The introduction of the concept of "rebalancing";
- Approach to analyse time value and forward elements as hedging costs;
- Extension of the fair value option when hedge accounting is not applicable.

What are the criteria for using hedge accounting under IFRS 9?

Under IFRS 9, hedge accounting remains optional and is subject to certain requirements. As under IAS 39, the future standard requires the following five criteria to be met in order for hedge accounting to be used:

- 1: The type of hedging relationship must be eligible;
- 2: The hedging instrument must be eligible;
- 3: The hedged item must be eligible;
- 4: The effectiveness criteria must be met;
- 5: The hedging relationship must be documented from inception.

➤ The impact of IFRS 9 on types of hedging relationship and their accounting treatment

What is the impact of IFRS 9 on types of hedging relationship?

IFRS 9 maintains the same three types of hedging relationship as IAS 39:

- Fair value hedge (FVH);
- Cash flow hedge (CFH);
- Hedge of a net investment in a foreign operation (NIH).

These three types of hedging relationships are applicable in the same situations as under the current IAS 39.

What is the impact of IFRS 9 on the accounting for hedging relationships?

In most cases, the accounting treatment remains the same as under IAS 39.

It should however be noted that basis adjustment² is now required for cash flow hedges when the hedged transaction involves recognising a non-financial asset or liability in the statement of financial position; this was an accounting method choice under IAS 39.

² Basis adjustment involves including the hedging gain or loss in the initial carrying amount of the hedged non-financial asset or liability in the statement of financial position.

➤ The impact of IFRS 9 on eligible hedging instruments

What impact does IFRS 9 have on the eligibility of derivatives as hedging instruments?

IFRS 9 does not change the conditions under which a derivative may be designated as a hedging instrument (provisions related to internal derivatives, written options, etc).

However, the future standard does clarify that a combination of two separate options – a purchased and a written option – constitutes an eligible hedging instrument as long as the combination of the two options does not constitute a net written option³. As long as this condition is met, a combination of a purchased cap option and written floor option may be designated as a hedging instrument under IFRS 9, even if the two options are separate contracts with different inception dates.

What impact does IFRS 9 have on the eligibility of non-derivative financial instruments as hedging instruments?

Under IAS 39, non-derivative financial instruments were only eligible as hedging instruments for foreign exchange hedges.

IFRS 9 introduces the option of designating any non-derivative financial instrument as a hedging instrument, as long as it is measured at fair value through profit or loss.

The following points should also be noted:

- Debts measured at fair value using the fair value option in IFRS 9 are not eligible as hedging instruments, as their credit risk component is adjusted through OCI rather than through profit or loss.
- The review draft also clarifies that an intragroup foreign currency loan may not be designated as a hedging instrument for foreign exchange risk.

➤ The impact of IFRS 9 on eligible hedged items

Hedging risk components (non-financial instruments)

Under IAS 39, a non-financial instrument may be designated as hedged item in its entirety or for its foreign exchange risk only.

The review draft relaxes these rules significantly by permitting a risk component to be designated as a hedged item, as long as it is:

- separately identifiable; and
- reliably measurable.

We feel that this significantly expands the possibilities for commodity risk hedging (e.g. the lead element of a battery, in certain situations).

Hedging aggregated exposures

The review draft permits the option of hedging aggregated exposures composed of an exposure and a derivative.

This means that the accounting treatment can better reflect the entity's risk management each time that a treasurer adds a derivative to an existing strategy.

³ Readers will remember that under IAS 39, combinations of options were not eligible as hedging instruments if one of the contracts was a written option.

A Closer Look

Hedging on a net basis

IFRS 9 permits the option of hedging on a net basis, once again allowing for a better match between accounting treatment and risk management for entities which frequently use this type of arrangement in order to reduce hedging costs.

However, this new option is strictly limited to specific situations:

- In the case of cash flow hedges, hedging on a net basis is only permissible if it is a hedge of foreign currency risk. The hedging documentation must specify the reporting periods in which the hedged items are expected to have an impact on profit or loss.
- The performance of the hedging instrument must be presented in a separate line item in the statement of profit or loss; in other words, recognition of hedged cash flows on a net basis at the hedged rate is not permitted.

Layer approach extended to fair value hedges

IFRS 9 permits the use of a layer approach on condition that:

- the "layer" can be identified; and
- the designation of a "layer" component reflects the entity's operational risk management.

Thus, for example, an entity may wish to hedge the last €20m of a debt with a nominal amount of €100m. If this debt includes a prepayment option, the layer approach is permitted as long as the effectiveness calculation takes account of this option.

Hedging risks which have no impact on profit or loss is still forbidden

Under IFRS 9, it is still forbidden to hedge risks which have no impact on profit or loss. However, the future standard does introduce one exception, permitting fair value hedges of investments in equity instruments measured at fair value through other comprehensive income as set forth in IFRS 9.

The following types of exposure are still not eligible for hedging accounting under IFRS:

- The entity's own treasury shares (including shares repurchased in the context of share-based payments under IFRS 2) ;
- Future dividends from subsidiaries;
- IAS 19 actuarial gains and losses.

This issue may also be complex for insurers in the context of IFRS 4 Phase II on recognition of insurance liabilities.

Hedging closed portfolios: more flexibility and new criteria

The current criteria for designating a group of instruments as a hedged item under IAS 39 are as follows:

- each item in the portfolio shares the same hedged risk; and
- the change in fair value attributable to the hedged risk for each individual item in the group shall be expected to be approximately proportional to the hedged risk of the group of items.

IFRS 9 replaces these with the following new criteria:

- each item is individually eligible to be a hedged item; and
- the items in the group are managed together on a group basis as part of the entity's risk management.

The removal of the "approximately proportional" criterion is a big step forward, particularly for fair value hedges of equity portfolios using index-linked derivatives.

A Closer Look

Sub-LIBOR issue still not resolved

IFRS 9 still forbids the hedging of a risk component which could generate cash flows greater than the total flows of the hedged item (known as the "sub-LIBOR issue"). This rule lies at the heart of the European carve-out of IAS 39.

The review draft stipulates that this applies to both financial and non-financial items.

- Financial items: it is not possible to hedge the LIBOR component of a debt instrument which bears interest of LIBOR minus 20 basis points with a floor at zero basis points;
- Non-financial items: it is not possible to hedge the benchmark crude oil component of a specific type of crude oil from a particular oil field that is priced at benchmark crude oil minus €10 with a floor at €15.

Hedging inflation risk

IFRS 9 no longer contains an outright ban on hedging inflation risk component which is not contractually specified.

However, the standard points out that there is a strong presumption that inflation risk is not separately identifiable and reliably measurable. It is therefore incumbent on the entity to prove the opposite with reference to specific characteristics of the market environment.

For example, a sufficiently liquid inflation-linked bond market may in certain cases mean that the inflation risk is separately identifiable and reliably measurable.

Hedging credit risk

IFRS 9 introduces a flexible fair value option so that an instrument's credit risk hedging can be reflected in the entity's financial statements. Thus, for example, an entity using a CDS to hedge the credit risk on a financial instrument may optionally measure the entirety of the hedged instrument at fair value through profit and loss. This is subject to the following conditions:

- the name of the credit exposure matches the reference entity of the credit derivative⁴; and
- the seniority of the hedged instrument matches that of the instruments that can be delivered in accordance with the credit derivative.

This fair value option, which is restricted to credit risk hedges, may be exercised prospectively at any time and is not limited to the date of initial recognition of the instrument.

A fair value option for own-use contracts

"Own-use" contracts are those which involve purchasing or selling of non-financial items (goods) resulting in the physical receipt or delivery of goods in order to meet the entity's production requirements. These contracts fall outside the scope of IAS 39, meaning they are not accounted for as derivatives.

Some industrial companies use derivatives to hedge these contracts for the purchase or sale of goods, as part of their risk management strategy. The high volume of transactions and the constant changes in net exposure mean it is very difficult to apply hedge accounting. To make things easier, IFRS 9 has extended the fair value option for own-use contracts.

Using the fair value option enables to reduce the accounting mismatch between:

- own-use contracts which are off-balance-sheet commitments; and
- hedging derivatives which are recognised at fair value through profit or loss.

⁴ Thus, this option does not permit hedging using a portfolio or index-linked CDS.

➤ The impact of IFRS 9 on effectiveness criteria

IFRS 9 makes big improvements to the criteria for effectiveness and reduction of volatility in profit or loss linked to hedging operations.

What are the new effectiveness criteria under IFRS 9?

The 80%-125% range, which was often felt to be arbitrary, has been eliminated. It has been replaced by three effectiveness criteria which take greater account of the entity's risk management policy:

- **1:** There is an economic relationship between the hedged item and the hedging instrument (inverse correlation).
- **2:** Changes in the value of the derivative are not primarily due to changes in the credit risk of the parties to the derivative transaction⁵.
- **3:** The hedge ratio⁶ corresponds to the ratio which is actually used by the entity in its operational risk management, and does not show an obvious imbalance (e.g. an imbalance which would create structural hedge ineffectiveness).

These criteria should be considered at the inception of the hedging relationship and at each closing date. In addition, the entity must also carry out an effectiveness test if a significant event changes the balance of the hedging relationship during the reporting period.

Readers should also note that it is still necessary to quantify hedge ineffectiveness for the period and recognise it in profit or loss.

What is rebalancing?

Rebalancing involves adjusting the hedge ratio⁶ of an existing hedging relationship to bring it back into line with the effectiveness criteria (cf. criterion 3 above). In our opinion, rebalancing will primarily apply to hedging relationships which operate on a proxy basis.

Let us take the example of an entity which is hedging an MXN (Mexican peso) exposure, using USD derivatives.

- The entity has made this decision for cost reasons (the USD derivatives market is more liquid);
- It is also able to identify a stable relationship (correlation) between the two currencies;
- The entity will therefore use its correlation analysis to assess the quantity of USD required to hedge its MXN exposure with a view to minimising ineffectiveness;
- The relationship between the quantity of USD and the quantity of MXN constitutes the hedge ratio;
- Rebalancing allows the entity to adjust the hedge ratio in the event of a subsequent change in the correlation between USD and MXN.

Rebalancing is obligatory when the hedge ratio is such that the hedging relationship no longer meets the effectiveness criteria, but the objectives of the hedging relationship remain the same. The purpose of rebalancing is to correct structural changes in the hedge ratio. Temporary variations in the current ratio do not necessarily require adjustment of the ratio. It will often be necessary to resort to subjective judgement in this domain.

For accounting purposes, rebalancing is treated as an extension to an existing hedging relationship. Adjusting the ratio does not entail a discontinuation of the existing hedging relationship. It should however be noted that the entity must calculate the ineffectiveness of the hedging relationship and recognise it in profit or loss before changing the hedge ratio.

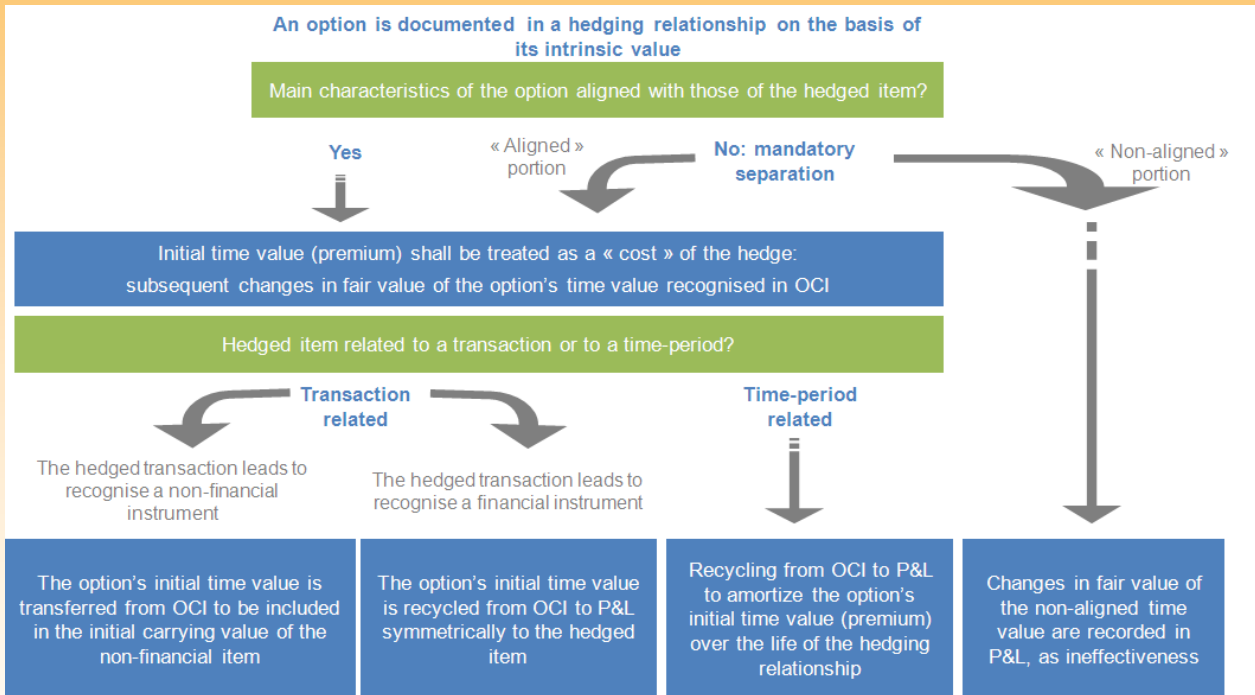
⁵ In practice, this makes it difficult to designate as a hedging instrument a derivative entered into with a party with severe financial difficulties.

⁶ Hedge ratio: the relationship between the quantity of hedged items and the quantity of hedging instruments.

A Closer Look

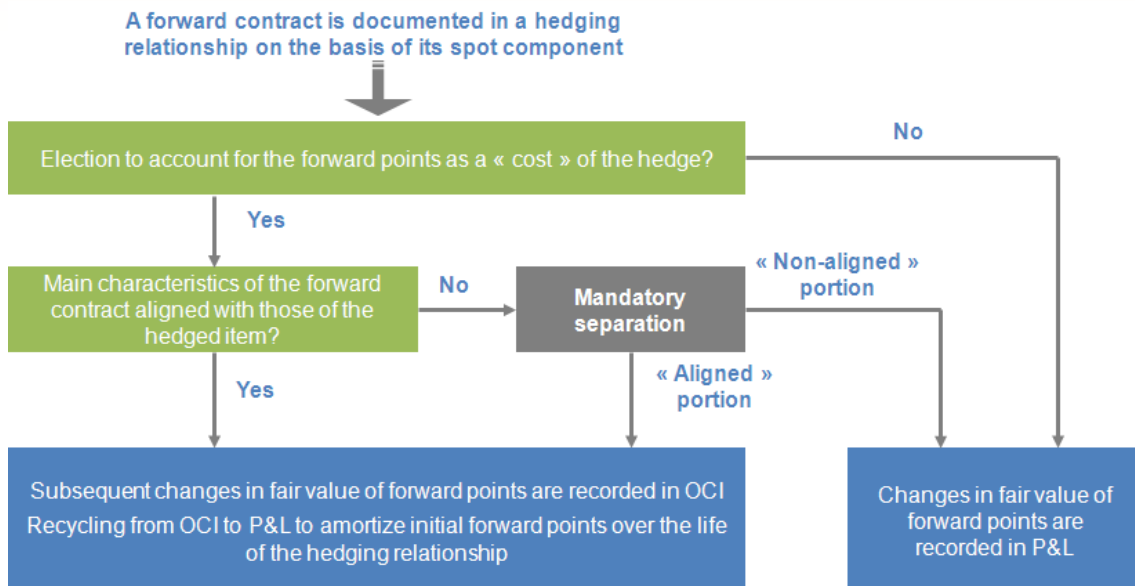
How is the time value of options accounted for under IFRS 9?

The effectiveness of a hedging relationship may be maximised by designating only the intrinsic value (and not the time value) of an option as the hedging instrument. This meant that under IAS 39, the time value of options generated volatility in profit or loss that was not connected to the entity's risk management. Under IFRS 9, if an option is designated as a hedging instrument on the basis of its intrinsic value alone, its time value must be treated as a "cost" of hedging for accounting purposes.



How is the forward element of forward contracts accounted for under IFRS 9?

IFRS 9 introduces an option which permits entities to account for the forward element of a forward contract as a "cost" of hedging, when the forward contract is designated as a hedging instrument on the basis of its spot element alone. The entity may decide whether or not to do this on a transaction by transaction basis.



A Closer Look

➤ Other changes introduced by IFRS 9

Hedging documentation

IFRS 9 retains the requirement to document hedging relationships. The documentation must include the following elements:

- The strategy and objectives of the hedging policy;
- Identification of the hedged item;
- Identification of the hedging instrument;
- Identification of the risk being hedged;
- A description of the methods used for prospective effectiveness tests;
- An analysis of the sources of hedge ineffectiveness (new requirement);
- The method of determining the hedge ratio (new requirement, cf. paragraph on rebalancing).

An entity may not simply choose to discontinue a hedging relationship

IFRS 9 stipulates that an entity may not discontinue a hedging relationship if:

- the hedging relationship still meets the entity's risk management objectives; and
- the hedging relationship still meets the eligibility criteria (after rebalancing has been taken into account).

As such, it is not permitted for an entity to choose to discontinue a hedging relationship. However, if the entity decides to settle in cash the hedging derivative, the relationship will *de facto* be prospectively discontinued.

What disclosures shall be made in the notes?

Given that the effectiveness criteria have been made more flexible in order to take greater account of the entity's risk management policy, it is necessary to provide more information on the hedging policy in the notes to the financial statements.

Therefore, IFRS 9 also introduces amendments to IFRS 7, in the form of additional disclosures required in the notes:

- The risk management strategy;
- The amount, timing and uncertainty of future cash flows (new requirement);
- The impact of hedge accounting on the financial statements;
- Specific information on dynamic hedges (new requirement);
- Specific information on credit risk hedges (new requirement).

These disclosures are only required if the entity uses hedge accounting. The information may be presented in the notes to the financial statements or incorporated by cross-reference.

➤ Date of first application and transition requirements

What is the date of first application for the hedging section of IFRS 9?

The review draft sets forth a mandatory effective date to annual periods commencing on or after 1 January 2015.

The IASB stated in July 2012 that early application of the hedging section of IFRS 9 will only be permitted once the

A Closer Look

“Classification and measurement” and “Impairment” phases of the *Financial Instruments* project are complete.

This decision is in line with the position of the European Union, which wants all the phases of the IFRS 9 project to be completed before reaching a decision on its application in Europe.

European companies may therefore have to wait until 2015 (or even 2016?) before they can apply the provisions of IFRS 9 on hedge accounting. However, the publication of the review draft allows issuers to start considering the impact of the future IFRS 9 on their risk management, organisation of the treasury department and accounting treatment of hedging operations.

What are the transition requirements?

The standard specifies prospective application, with limited exceptions for the provisions on the time value of options and the forward element of forward contracts, which shall (or may in certain cases), be applied retrospectively.

A Closer Look

Ongoing joint redeliberations on Revenue Recognition

In September 2012, the IASB and the FASB continued their redeliberations of the Revenue Recognition project following the publication of the second exposure draft on the subject in November 2011.

This month, the following topics were discussed:

- constraining the cumulative amount of revenue recognised;
- collectibility;
- time value of money;
- contract issues - distribution networks.

All the decisions presented below remain tentative.

It should be remembered that the final standard is due for publication in the first half of 2013 for application no earlier than current financial years at 1 January 2015 (this date, given in the 2nd ED, will probably be postponed, given the timetable for redeliberations).

➤ Constraining the cumulative amount of revenue recognised

According to the second exposure draft, if the consideration to which the entity expects to be entitled is variable, the cumulative amount of revenue from ordinary activities that the entity recognises at the date in question should not exceed the amount to which it is reasonably assured to be entitled.

The concept of variable consideration is defined in the 2nd exposure draft, which indicates the amount of consideration promised in a contract can vary because of discounts, rebates, refunds, credits, incentives, performance bonuses, penalties, contingencies, price concessions or other similar items.

Though this principle has been generally well-received by stakeholders, they have nevertheless asked for clarifications as to its application in practice. In particular, what is the scope of this constraint, i.e. when should the transaction price be considered as variable?

The IASB and the FASB have tentatively decided to clarify the meaning of 'variable consideration' to indicate that the constraint should apply to a fixed price contract in which there is uncertainty about whether the entity would be entitled to that consideration after satisfying the related performance obligation. This uncertainty does not affect the collectibility of the sums in question (a subject addressed elsewhere in the exposure draft).

An illustration is provided by the staff in paper 7A prepared for the September meeting. An entity enters into a contract with a customer to provide legal services (a single performance obligation satisfied over time). If the court decision is not in favour of the customer, the entity will receive no consideration. However, if the entity is successful, it will be entitled to a fixed fee. The constraint on the cumulative amount of revenue of would apply in this case.

Other practical topics were discussed without reaching a conclusion, including the question of whether an entity's experience of the same kind of performance obligations is predictive of the consideration to which it will be entitled for satisfying these obligations. These discussions will be continued at future joint meetings between the IASB and the FASB.

A Closer Look

⇒ Collectibility

According to the second exposure draft, an entity must not take any account of the effects of a customer's credit risk. Thus, a customer receivable should be accounted for in accordance with IAS 39 / IFRS 9. Estimations of uncollectible amounts recognised in profit or loss would be presented both initially and subsequently as a separate line item adjacent to the revenue line item. This proposal has been widely criticised by the stakeholders.

Further, the second exposure draft's provisions on the presentation of profit or loss do not apply to contracts with a significant financing component (see below). These contracts should in effect be subject to 'bifurcation' into a revenue component and a financial component (expense or income, depending on the entity that receives the financing), adjusting the promised consideration using a discount rate which reflects the credit characteristics of the party receiving the financing. Impairment losses on these contracts would therefore be presented on a more general line in the profit and loss account relating to the impairments of financial assets other than receivables relating to contracts which do not contain a significant financing component (i.e. not on a separate line adjacent to the revenue line item).

In September, the two Boards were unable to reach a final decision on the approach of the future Standard to customer credit risk and presentation in the income statement. At a future meeting, the IASB and the FASB will have to decide whether to require consistent presentation in the income statement for all contracts with customers (i.e. whether or not there is a significant financing component). They must also decide whether to introduce a revenue recognition threshold for collectibility, so that revenue is only recognised when it is highly probable that it will be collected.

The two Boards have tentatively decided to present any impairments recognised in the current period and any subsequent changes in their amount in a consistent manner.

They have also tentatively decided to provide additional guidance in the future Standard about how to determine whether a contract with a customer exists based on the customer's commitment to perform its obligations under the contract (i.e. its commitment to pay the entity).

⇒ Time value of money

The second exposure draft states that in determining the transaction price, an entity shall adjust the promised amount of consideration to reflect the time value of money if the contract has a financing component that is significant to the contract (see the concept of bifurcation referred to above for contracts with a significant financing component).

The IASB and the FASB tentatively decided to approve this proposal during their September 2012 discussions.

The two Boards also tentatively decided:

- to clarify the application of the indicators in the second ED for determining whether a contract has a significant financing component;
- to clarify that, if the transfer of goods or services to a customer is at the discretion of the customer, an entity should not adjust advance payments for the effects of the time value of money (for example, in the case of prepaid phone cards). In these cases, payment in advance does not amount to financing from the customer to the entity;
- to retain the proposed practical expedient in the ED according to which an entity need not adjust the promised amount of consideration to reflect the time value of money if the entity expects at contract inception that the period between payment by the customer of all or almost all of the consideration and the transfer of the promised goods or services to the customer will be one year or less. The two Boards have clarified that this practical expedient should also apply to contracts with a duration of greater than one year if the period between performance and payment for that performance is one year or less; and
- to clarify that the proposed revenue Standard would not preclude an entity from presenting as revenue interest income that is recognised from contracts with a significant financing component, when this interest income reflects the ordinary activities of the entity (banks).

A Closer Look

➔ Contract issues - distribution networks

The IASB and the FASB discussed the particular issues raised by distribution network arrangements. In those arrangements, an entity may transfer control of a product it manufactures to its customer, for example a retailer. The manufacturer may also promise other goods or services as sales incentives to encourage sales to end customers. Arrangements of this type are typical of the automotive sector.

The second exposure draft states that a performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. Performance obligations include promises that are implied by an entity's customary business practices, published policies or specific statements if those promises create a valid expectation of the customer that the entity will transfer a good or service.

The IASB and the FASB have tentatively decided that where the promise to transfer those goods or services that are regarded as sales incentives was made in the initial contract with the intermediary, or if it was implied in the circumstances described above, these promised goods or services should be accounted for as a performance obligation, since they are a part of the overall exchange transaction with the customer. In practice, this means that part of the transaction price must be allocated to these additional goods or services (even if they are promised implicitly), and that the corresponding share in the revenue must be accounted for when control of these goods and services is transferred to the customer (i.e. when the promise is satisfied).

However, if the promise was made after the transfer of control of the product to the intermediary, the Boards tentatively decided that the promise would not be a performance obligation. In practice, this means that the promise should be treated as a reduction in the transaction price, as "consideration payable to a customer" (a concept featuring in the second exposure draft).

A Closer Look

Impact of latest amendment to IFRS 7 on 30 June 2012 financial statements

The amendment to IFRS 7 on disclosures on transfers of financial assets was adopted by the European Union in November 2011 (OJEU no. 1205/2011, 23 November 2011) and is mandatory for financial periods commencing on or after 1 July 2011.

This means that for many issuers of financial statements, the closing of accounts at 30 June 2012 marked the first period for which this amendment was effective.

We therefore felt it would be interesting to analyse the impact of this amendment on disclosures in the notes to the financial statements published on June 30. The results of this study are presented below.

➤ A reminder of the provisions of IFRS 7

As a reminder, this amendment aimed to help users of financial statements to:

- understand the relationship between transferred financial assets which are not fully derecognised and the associated liabilities; and
- assess the nature of an entity's continued involvement in derecognised financial assets, and the associated risks.

What the standard says

Entities shall disclose information on the following (IFRS 7 § 42A to 42H):

- Transferred financial assets which are not fully derecognised;
- Transferred financial assets which are fully derecognised but in which the entity has continuing involvement; and
- The timing of transfers of financial assets, to highlight "window dressing" transactions (for derecognised assets).

The entity shall provide the required disclosures in a single note to the financial statements.

For more details on the amendment to IFRS 7, see Beyond the GAAP No. 56, May 2012.

➤ Details of the sample

Our study covered the 71 companies on the CAC 40 and Euro Stoxx 50 indexes as of 30 June 2012.

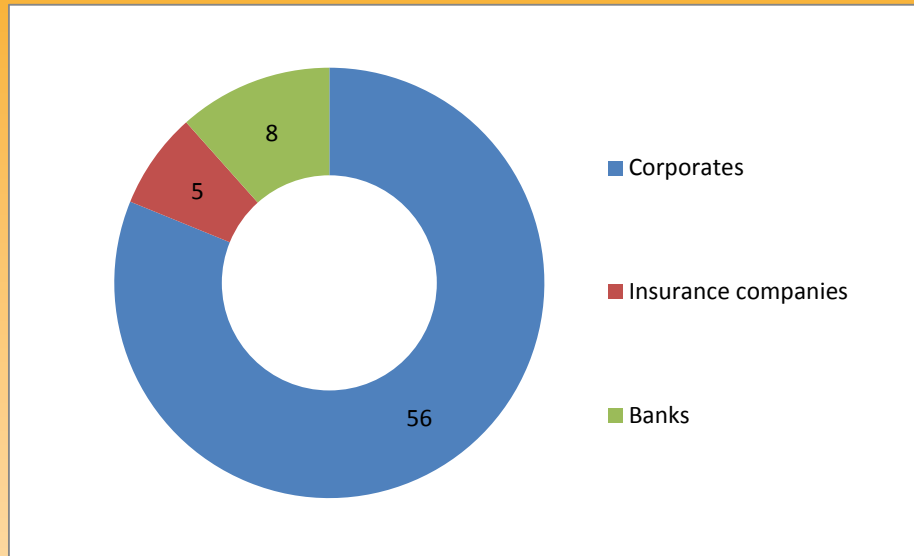
Two issuers were not affected by the amendment to IFRS 7 as they had an earlier closing date (31 March), and had not opted for early application. They were therefore removed from the sample.

The final sample was thus composed of 69 companies, of which:

- 68 published interim financial statements at 30 June 2012 (of which 66 chose to publish condensed financial statements, as permitted under IAS 34); and
- 1 published annual financial statements at 30 June 2012.

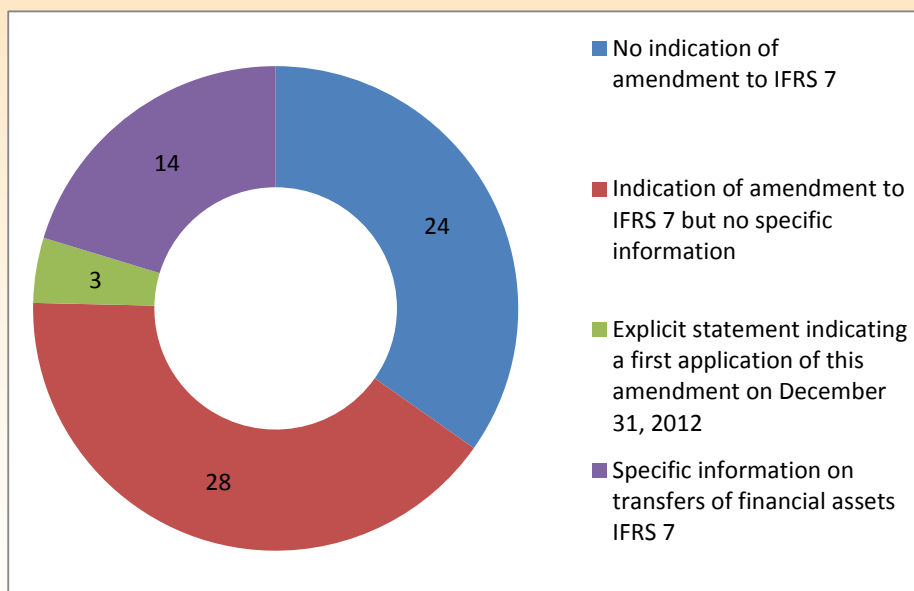
A Closer Look

The 69 issuers in the sample operated in the following sectors:



➤ Did the companies provide disclosures on transfers of financial assets at 30 June 2012?

We identified 14 companies (20% of the sample) which provided specific information on transfers of financial assets in their financial statements at 30 June 2012, the first period for which the amendment was effective.



Of these 14 issuers:

- 13 published condensed interim financial statements, and 1 published annual financial statements;
- 12 were industrial and services companies ("Corporates") and 2 were banks.

Our analysis of the financial statements did not permit us to assess how many of the groups had in fact transferred financial assets during the period.

A Closer Look

➤ How were the disclosures presented in the notes?

None of the issuers presented the information on transfers of financial assets in a single separate note to the financial statements. The information was spread across several different notes.

The 12 industrial and services companies ("Corporates") presented the required information in the following places:

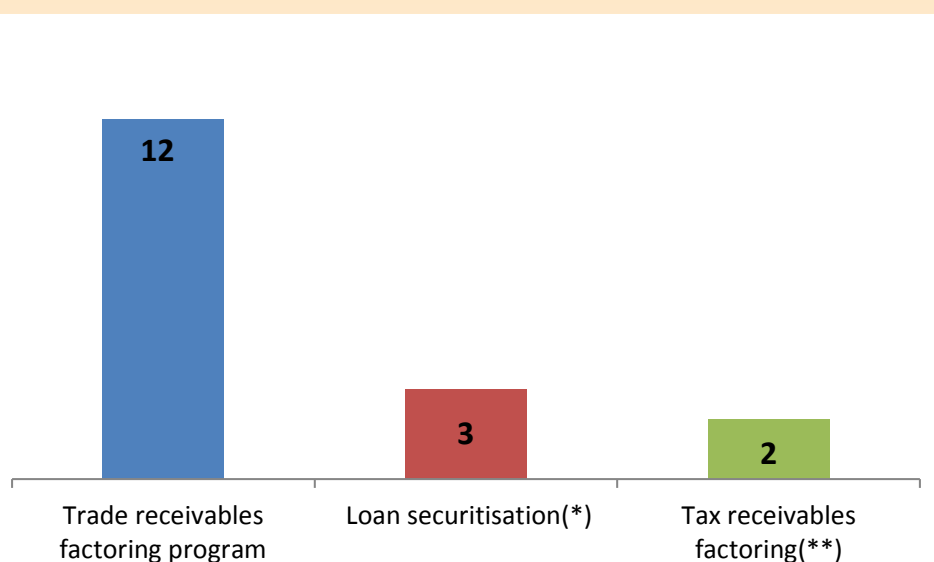
- the note on net financial debt and financial liabilities (7 companies out of 12);
- the note on loans and receivables (5 companies out of 12);
- the note on working capital requirements (2 companies out of 12);
- the note on the financial result (2 companies out of 12); and/or
- the note on the cash flow statement (1 company out of 12).

The two banks which provided specific information on transfers of assets included it in:

- the note on client loans and receivables (1 bank out of 2);
- the note on financial liabilities at amortised cost (1 bank out of 2); and/or
- the note on risks and the risk management policy (1 bank out of 2).

➤ What type of information was disclosed by the companies at 30 June 2012?

The 14 companies which disclosed information on transfers of financial assets gave details of the following types of transaction:

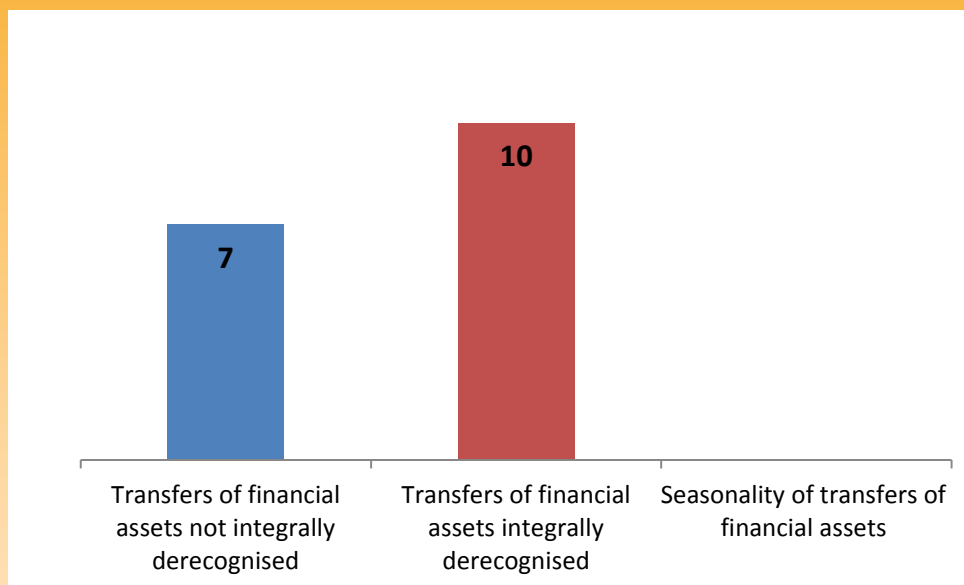


(*) Loans subject to securitisation are related to 2 banks and to the financing of a car manufacturer's sales.

(**) Transfers of tax receivables are related to R&D Tax Credit or VAT

A Closer Look

They also disclosed the following accounting information:



Readers will recall that one of the new requirements under the amendment to IFRS 7 is to provide disclosures on:

- transfers of financial assets which are fully derecognised; and
- the timing of transfers of financial assets.

None of the companies in our sample provided information on the dates of transfers of assets which resulted in derecognition (IFRS 7 § 42G).

➤ Financial assets which were transferred but not derecognised: what elements of good practice were identified?

The financial statements at 30 June 2012 published by Alcatel Lucent, Lafarge and PSA clearly show:

- the nature of assets which were transferred but not derecognised (IFRS 7 § 42Da); and
- the carrying amount of the assets transferred and the associated liabilities (IFRS 7 § 42De).

Alcatel Lucent

c/ Receivables transferred that are not derecognized in their entirety

Receivables related to French R&D tax credits (i.e. “Crédits d’Impôt Recherche”) were sold to banks but not derecognized from the statement of financial position as we are substantially keeping all risks and rewards related to those receivables, due to the ability of the buyer to retroactively cancel the sale in certain circumstances and to the existence of a selling price adjustment if the receivable is redeemed before or after its contractual maturity (i.e. three years). It represented an amount of €163 million as of June 30, 2012 (€ 83 million as of December 31, 2011 and € 82 million as of June 30, 2011) included in our financial debt (other financial debt).

A Closer Look

Lafarge

Securitization program

The Group entered into multi-year securitization agreements with respect to trade receivables as described in the Note 17 of the Group consolidated financial statements of the 2011 Registration Document.

Under these programs, some of the French, North American, British and Spanish subsidiaries agree to sell trade receivables. These trade receivables sold remain on the statement of financial position and totaled 520 million euros as of June 30, 2012 (855 million euros as of June 30, 2011 and 537 million euros as of December 31, 2011).

The current portion of debt financing received from these programs includes 383 million euros as of June 30, 2012 (692 million euros as of June 30, 2011 and 404 million euros as of December 31, 2011).

The European securitization agreements are guaranteed by subordinated deposits and units totaling 137 million euros as of June 30, 2012 (163 million euros as of June 30, 2011 and 133 million euros as of December 31, 2011).

PSA

NOTE 13 - LOANS AND RECEIVABLES - FINANCE COMPANIES

<i>(in million euros)</i>	30 June 2012	31 Dec. 2011
Retail, Corporate and Equivalent		
Credit sales	10 153	10 171
Long-term leases	4 684	4 727
Leases subject to buyback commitments	2 335	2 301
Other receivables	172	183
Ordinary accounts and other	104	92
Total net Retail, Corporate and Equivalent	17 448	17 474
Corporate Dealers		
Wholesale Finance Receivables	6 190	5 879
Other receivables	717	627
Other	393	334
Total net Corporate Dealers	7 300	6 840
Remeasurement of interest rate hedged portfolios	97	73
Eliminations	(183)	(80)
Total	24 662	24 307

Retail, Corporate and Equivalent finance receivables at 30 June 2012 include €3,240 million in securitised finance receivables that were still carried on the balance sheet at the period-end (€4,008 million at 31 December 2011). Liabilities corresponding to securities issued by securitisation funds are shown in Note 18 "Financing liabilities - finance companies".

18.1. FINANCING LIABILITIES

<i>(in million euros)</i>	30 June 2012	31 Dec. 2011
Securities issued by securitisation funds	3 139	3 963
Other bond debt	413	413
Other debt securities	13 247	12 690
Bank borrowings	5 503	4 995
	22 302	22 061
Customer deposits	584	482
	22 886	22 543
Amounts due to Group manufacturing and sales companies	(330)	(257)
Total	22 556	22 286

Note that the financial statements at 30 June 2012 published by Alcatel Lucent and Lafarge also include a description of the nature of the risks and rewards linked to the ownership of the transferred assets to which the company is exposed (IFRS 7 § 42Db).

➤ Financial assets which were transferred and fully derecognised: what elements of good practice were identified?

ENI and Pernod Ricard published information on the nature of their continuing involvement in financial assets which were transferred and fully derecognised (IFRS 7 § 42Bb).

A Closer Look

ENI

5 Trade and other receivables

During the course of the first half of 2012, Eni transferred to factoring institutions certain trade receivables without recourse due by June 30, 2012 for €1,605 of which €1,588 million without notification (€1,779 million as not notification at December 31, 2011, due within 2012). Transferred receivables mainly related to the Refining & Marketing segment (€1,266 million) and to the Gas & Power segment (€263 million), the Chemical segment (€43 million) and the Engineering & Construction segment (€33 million). Following the contractual arrangements with the financing institutions, Eni collects the sold receivables and transfers the collected amounts to the respective institutions. Furthermore, the Engineering & Construction transferred without notification certain trade receivables without recourse due by June 30, 2012 for €308 million through the Eni's company Serfactoring SpA (€188 million at December 31, 2011, due by 2012).

Pernod Ricard

NOTE 15 Breakdown of trade receivables

In financial years 2011 and 2012 the Group continued to implement its programmes to sell the receivables of several subsidiaries. Receivables sold under these programmes totalled €500 million at 30 June 2012 and €425 million at 30 June 2011. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

In euro million	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
	Amortised cost	Held to maturity	Available for sale	Financial liabilities at fair value		
Continuing involvement						
Guarantee deposit – factoring and securitisation	26	-	-	-	26	26

Pernod Ricard chose to communicate the information in the form of a table showing:

- the carrying amount of the assets and liabilities recognised in the statement of financial position which represent the company's continuing involvement in the transferred financial assets, and the relevant line items in the statement of financial position (IFRS 7 § 42Ea);
- the fair value of the assets and liabilities which represent the company's continuing involvement in the transferred financial assets (IFRS 7 § 42Eb); and
- the amount which best represents the company's maximum exposure to the risk of loss relating to its continuing involvement (IFRS 7 § 42Ec).

It should be noted that, of the ten companies that disclosed a transfer of assets which were fully derecognised, none of them explicitly stated:

- information on the undiscounted cash outflows that would or might be required to repurchase the derecognised financial assets or other amounts payable to the transferee with respect the transferred assets (IFRS 7 § 42Ed); or
- a maturity analysis showing the remaining contractual maturities of the company's continuing involvement (IFRS 7 § 42Ee).

➔ What lessons can be learned from the initial application of the amendment to IFRS 7 in the 30 June 2012 financial statements?

The initial application of the amendment to IFRS 7 had a limited impact on the financial statements at 30 June 2012 published by CAC 40 and Eurostoxx 50 companies.

A Closer Look

As regards the half-yearly condensed financial statements, it would seem that issuers decided not to change the disclosures on transfers of financial assets; this may well be due to a lack of significant operations over the period. Thus, several companies seem to have decided to postpone the efforts required for full application of the amendment to IFRS 7 until the publication of the annual financial statements at 31 December 2012.

However, our review of financial disclosures to 30 June 2012 has, as shown above, allowed us to identify some examples of good practice for both disclosures of financial assets which were transferred but not derecognised, and disclosures of financial assets which were transferred and fully derecognised. These examples of good practice will be of use with regard to the publication of annual financial statements at 31 December 2012.

In order to illustrate the level of information which may be provided at the annual closing of accounts, Beyond the GAAP has reproduced below the notes to the half-yearly financial statements of Suez Environnement (a company which fell outside the scope of our sample) relating to a significant operation of transfer of assets resulting in full derecognition, which took place in the first half of 2012.

Suez Environnement

7.3.3 Securitization of receivables

Context

Since 2002, SUEZ ENVIRONNEMENT has implemented a program for the sales of commercial receivables to a special purpose vehicle (SPV) called "Fonds Commun de Créances" in French. The receivables transferred related to invoices linked to the Waste Europe activity in France, Belgium and the Netherlands.

This program had a 5-year initial duration and was renewed in 2007 for 5 additional years that ended June 18, 2012.

The risks associated with securitized receivables, mainly credit risk and the risk of late payment were retained by the Group, the receivables sold could not be derecognized in the sense of IAS 39 (Financial Instruments: Recognition and Measurement) and were maintained on the consolidated statement of financial position. Sums received for the sales were therefore entered against a debt on the Group's consolidated statement of financial position.

Description of the program

The program ending June 18, 2012 was renewed and modified in order to set up conditions allowing for derecognition of the receivables under IAS 39.

The main characteristics of the program are as follows:

- a new SPV was created, called "Fonds Commun de Titrisation" (or FCT) to replace the previous one;
- the preexisting securitization program was subject to a "simple" renewal;
- a compartment dedicated to the Group receivables was created within the FCT;
- on the implementation date, part of the receivables from the former securitization program were transferred to the new compartment; the other part continued to fund the former SPV compartment and will switch progressively to the new compartment over the course of the next few months;
- the FCT used in the program is financing the new compartment by issuing 3 types of instruments:
 - shares known as "senior", issued on the markets through a dedicated channel;
 - a deposit known as "mezzanine", underwritten by the Group;
 - shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group.

These shares are presented here in order of payment priority relative to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last.

- the Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

The sales of receivables by Group subsidiaries are made at their nominal value, minus a discount that covers the cost of financing the receivables, the risk of late payment and the credit risk.

The main commitments of the Group to the FCT are the following:

- set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above;
- set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain event or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At June 30, 2012, this security deposit had not yet been formed.
- existence of a mechanism known as "excess fee" through which, in certain cases, the FCT can give back part of the excess cash accumulated in the compartment when recovering receivables (transferred at discount prices). This mechanism corresponds to a part of the remuneration of the Group subsidiaries for collecting receivables (see below);
- an option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term) or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date;
- issue of a guarantee for the risk of modification of tax provisions;
- preservation by each Group subsidiary of the management and collection of receivables that it has transferred to the compartment; to this effect, a management and collection agreement was signed by each of the subsidiaries acting as collector and the compartment, this provision being remunerated by the FCT;

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits. It also receives part of the benefits from the FCT via the collection of an excess fee in its role as servicer.

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favourable than those attributable to the Group and the granting of the liquidation profit.

Accounting treatment

The new compartment of the FCT is not controlled by the Group and is therefore not consolidated.

According to IAS 39 and based on the terms of the new program and the quantitative analyses implemented, the Group transferred almost all the risks and advantages inherent to the ownership of the receivables sold. The receivables transferred within the scope of the new program are therefore fully derecognized from the Group's consolidated statement of financial position.

in millions of euros	
Total of receivables sold	176.9 (a)
Loss arising from sale	(5.3) (b)
Book value paid for CC1	7.5 (c)
NET CASH RECEIVED ON START DATE	164.1 (a)-(b)-(c)
Fair value of CC1	7.5
Book value of CC2	*
Residual maturity of CC1	5 years
Remuneration received for CC1	not significant
Remuneration of services for management and recovery of receivables transferred	not significant

* No security deposit known as "CC2" had been formed as of June 30, 2012; payment of this deposit is subject to the conditions described above

As a reminder, Group subsidiaries not involved in the new program have sold their eligible receivables under the renewal of the former program.

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement, under financial expenses (see Note 4).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated statement of financial position. Its remuneration is recorded in the income statement, under financial income (see Note 4).

The remuneration of services provided for management and recovery of receivables transferred is shown in the income statement, under financial income (see Note 4).

Figures at June 30, 2012

The new securitization program has been the object of the first sale of receivables on June 26, 2012.

This sale included part of the outstanding receivables transferred under the former program, as well as receivables occurring since the last transfer of the former program.

The data relating to this first transfer are presented below:

These sales were given the same accounting treatment as before: the receivables are therefore not derecognized from the Group's consolidated statement of financial position and a liability was accounted for, against the cash proceeds from the sales.

Frequently asked questions

- Setting up a profit-sharing scheme for management personnel: the accounting treatment of share warrants with a repurchase commitment by the entity.
- A conditional, deferred additional consideration, payable in shares, in the context of a business combination: should the corresponding entry be a financial liability or an equity instrument?
- The accounting treatment for a foreign exchange gain from the settlement of an intragroup advance.
- The methods for calculating "full badwill".
- The accounting consequences, in an investor's accounts, of the repurchase of minority interests by an associate.
- The date of recognition for compensation for breach of a licence agreement.

Upcoming meetings of the IASB, IFRS Interpretations Committee and EFRAG

IASB

15 - 19 October 2012
19 - 23 November 2012
17 - 21 December 2012

Committee

13 - 14 November 2012
22 - 23 January 2013
12 - 13 March 2013

EFRAG

7 - 9 November 2012
12 - 14 December 2012
16 - 18 January 2013

Beyond the GAAP is published by Mazars. The purpose of this newsletter is to keep readers informed of accounting developments. Beyond the GAAP may under no circumstances be associated, in whole or in part, with an opinion issued by Mazars. Despite the meticulous care taken in preparing this publication, Mazars may not be held liable for any errors or omissions it might contain.

The drafting of the present edition was completed on 18 October 2012
© Mazars – October 2012