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Mr. Robert P. Garnett

IFRIC

30 Cannon Street

LONDON EC4M 6XH

United Kingdom

CHAIRMAN

AB/MPC

N°

Re : IFRIC Draft Interpretation D 18 – *Interim Financial Reporting and Impairment*

Dear Mr. Garnett,

The Conseil National de la Comptabilité (CNC) examined the IFRIC Draft Interpretation D 18 - *Interim Financial Reporting and Impairment*.

**We disagree with the consensus** of the Draft Interpretation both on the substance and on the form.

**Regarding the form, we consider that an amendment of IAS 34 is necessary** ; one single interpretation cannot solve the difficulty identified in the Draft Interpretation issue.

**With regard to the substance, we consider that IAS 34 should be amended in order to cancel the contradiction set out in this Standard.**

- On the one hand, according to IAS 34.28, interim periods stand alone as independent reporting periods. This implies that impairment losses on goodwill, equity instruments classified as available-for-sale or carried at cost recorded in an interim period could not be reversed in subsequent interim period since reversal is not allowed under IAS 36 and IAS 39 ; where the value of the impaired asset subsequently increases during the accounting year, the annual result would therefore not reflect this increase.
- On the other hand, according to the same paragraph, IAS 34 states that year-to-date measurements may involve changes in estimates of amounts reported in prior interim period to the current financial year.

Because the main objective is high quality interim financial statements, we strongly support the idea that the frequency of an entity's reporting shall not affect the measurement of its annual results and that original estimates of impairment in an interim period should be reversed, particularly in the case of market inversion in a subsequent period.

Furthermore, we are concerned by the lack of comparability between companies which do not have the same reporting frequency (half-yearly or quarterly, for example), and which could present different annual results if impairment losses could not be reversed when applying IAS 34.

We also note that the interaction between IAS 34 and the recognition of impairment losses on equity instruments classified as available-for-sale and on goodwill is not the same. Because of the volatility of markets on equity instruments, conditions may have so changed that the impairment losses recognised at an interim reporting date on those financial instruments would have been reduced or avoided at a subsequent reporting date. This situation is very different for goodwill, where goodwill shall be tested for impairment annually, in general at the end of the accounting year. Goodwill would only be tested more frequently within the same year if events or changes in circumstances indicate that the goodwill might be impaired, which in practice is very rare.

In this context, **we consider that IAS 34 be amended in order to allow for the reversals of impairment losses on equity instruments classified as available-for-sale or carried at cost for interim financial information.** If IAS 34 were not amended, we believe that the same objective could be achieved through the publication of an IFRIC Interpretation stating that reversals of impairment losses on equity instruments classified as available-for-sale or carried at cost are allowed for interim financial information.

Regarding the effective date of this proposed amendment of IAS 34, we note that a retrospective application might generate difficulties due to some of the impracticable reasons described in IAS 8, and particularly those for re-creating the conditions and the context leading up to the reversals of impairment losses.

We hope that you consider our point of view on this particular and very important subject worth taking into account, and we are of course available to further discuss any point you may wish to bring up.

Yours sincerely,

**Antoine BRACCHI**