

## **SUMMARY RECORD**

### **MEETING OF**

### **THE ACCOUNTING REGULATORY COMMITTEE AND THE CONTACT COMMITTEE**

**12 JUNE 2009**

#### **I. APPROVAL OF THE MINUTES OF THE ARC MEETING OF 3.3.2009**

The Minutes of the meeting of 3 March were approved.

During this time, one Member State argued that holding a comitology meeting without interpretation was against the comitology procedure. Another Member State seconded this view. The Chairman responded that this meeting was intended to be an informal information meeting only, and that no decision would take place.

#### **II. MODERNISATION AND SIMPLIFICATION OF THE 4<sup>TH</sup> AND 7<sup>TH</sup> DIRECTIVE**

The Commission reported back from the stakeholders' meeting that took place during the morning of 12 June. The Commission also gave a presentation on the main issues that came out from the preliminary analysis of the stakeholders' consultation.

The Commission presented its preliminary ideas for revision of the Accounting Directives to the Member States:

1. Basic principles – separate section
2. Structure – bottom-up approach
3. Requirement for cash flow statement (for medium and large companies)
4. Simplification of layout requirements for profit and loss statement and balance sheet
5. Burden reduction regarding disclosures
6. Clarification of valuation methods
7. Streamlining and modernisation of language

*Views from Member States*

As regards the cash flow statement:

One Member States welcomed the Commission proposal in general terms and agreed with the Commission requirement for a cash flow statement (CFS) from medium and

large companies (M+L). It was pointed out that the presentation of the CFS should be rather flexible.

One Member State felt that cash flow statements would be better kept out of the Directives altogether, and that any introduction of cash flow statements should not be applied to small companies, and if there was a decision to introduce cash flow statements for companies other than small companies, the concept should be sufficiently flexible to accommodate different Member State implementations of cash flow statements that are already in operation, or that might come into operation, and also sufficiently flexible to allow Member States to use EU-IFRS type solutions.

Another Member State stated that its legislation already included a requirement for a CFS for M+L, but it nevertheless did not consider it necessary to have such requirement at the EU level.

One Member State expressed its reluctance towards the CFS requirement, especially as regards to medium sized let alone small companies.

Another Member State questioned the overall rationale and the tight timeline of the proposal. The same Member State wanted to have more information on why certain changes (including the requirement for CFS) were proposed. Nevertheless, it supported the overall idea of simplification.

The Commission reiterated that the objectives for the overhaul are clarification and simplification of the Accounting Directives. The timeline reflects the political constraints and the Commission's remaining term in the office. It also pointed out that the IFRS for SME's is outside the scope of this project.

As regards the simplification of layout requirements for profit and loss statement and balance sheet:

A number of Member States welcomed the Commission proposal for simplified layouts for profit and loss statement and balance sheets (P/L and B/S). One of them, however, pointed out the need to be cautious in order not to go too far at the cost of comparability. The existing formats also reflect different traditions than those behind (e.g.) IFRS where more information is given in the notes instead of P/L and B/S.

Another Member State said that the question of the layouts is linked with the thresholds. It invited the Commission to consider whether such simplification should be limited only to smaller companies.

One Member State stated that prescribed layouts facilitate the comparison of financial statements. It added that in case the current layout requirements are simplified or left out, there could be serious problems when referring back to other directives (like the CRD) to line items in the balance sheet or profit and loss account in the accounting directives.

As regards Burden reduction regarding disclosures:

A number of Member States expressed their general support for reduction of disclosure requirements for small companies. However, some Member States pointed out that the recently added requirements and especially the requirement to disclose related party transactions give important information. On the other hand some Member States

reminded that the requirement to disclose related party transactions may be one of the most burdensome for the small companies.

As regards streamlining and modernisation of language

One Member State expressed its reluctance towards modernising and streamlining the languages and terminology. Another one reminded that care should be taken as regards to other pieces of legislation in order not to create undue confusion and not to bring in unwanted changes as regards linkages to underlying philosophy.

As regards highlighting the basic principles and bringing them into a separate section:

A number of Member States expressed their support for the idea. However, these principles should not be changed. One Member State was not in favour as it argued that it would not necessarily change the transposed legislation.

One Member State reminded the Commission of the ongoing debates on political level to set guidelines in accounting issues (G20 guidelines, ECOFIN conclusions). This Member State views that the revision of the basic principles (and the accounting directives) should be carried out on this line in order to facilitate the prudential operation of financial institutions (by providing adequately and eligibly detailed data in financial statements) as it is an important political target. It also warned that in case data needed for the prudential operation of financial institutions is not disposable in financial statements, it will cause an increase in administrative burden, as financial institutions will ask for these data separately. Particular attention has to be paid to concert the overhaul of the accounting directives with the revision of other EU-legislation (like the ongoing CRD-revision)

As regards clarification of valuation methods:

Two Member States expressed their concerns pointing out that taxation is linked to accounting and changing valuation methods, especially as regards value adjustments for taxation purposes and use of LIFO method, and may therefore have unwanted consequences.

Other issues:

One Member State suggested that the time limits for filing of the accounts should be harmonised and shortened. Another Member State was opposed to such proposal.

### **III. ACCOUNTING ISSUES LINKED TO THE CRISIS**

The Commission explained the main events and progress since the last ARC meeting in March. The Commission has had many intense contacts with the IASB in order to highlight the key outstanding issues, and the need for the IASB to address urgently the situation.

The G20 April Summit called standard-setters to work urgently to address issues related to the crisis, while also in April the US FASB urgently adopted two new measures which raised serious concerns about possible distortions to the level playing field.

The ECOFIN Ministers called on the IASB in April to immediately address key accounting issues, and in May also expressed the need for a quicker response.

The IASB has announced a comprehensive review of IAS 39 in response to the G20's call to simplify accounting for financial instruments. The Commission also welcomes the fact that the IASB intends to issue an Exposure Draft on "loan-loss provisioning" in October 2009.

The IASB Chair, Sir David Tweedie, attended the June ECOFIN meeting, and committed to conclude its revision of IAS 39 addressing the key impairment issue in time for the 2009 annual accounts. The Commission highlights that IASB's timing is very important, and time will be needed to allow the EU to properly endorse the changes, and to allow our industries to apply them for their 2009 annual accounts.

#### *Views from Member States*

One Member State indicated that in its view the IASB has been requested to restore a level-playing field, and that at this point in time it is not certain that the IASB's work will deliver against this objective. Another Member State stated that not everybody has the same understanding on how the level-playing field should appear, and that a fair comparison should be set.

### **IV. IASB GOVERNANCE, EFRAG ENHANCEMENT AND FUNDING**

#### IASCF

The Commission gave an update on the situation of the Monitoring Board. The Commission has not yet signed the Charter and MoU. The next meeting of the Monitoring Board will take place on 6 July in Amsterdam. Commissioner McCreevy will attend the public part of the meeting. The Commission will forward the agenda and related documents for this meeting to the ARC members as soon as received.

The Commission referred to the second phase of the IASCF's constitutional review. The comment letter is about to be submitted to the IASCF. The Commission believes that it is important to give the IASCF clear indications that significant governance reforms must continue.

#### EFRAG

The Commission stated that the new Supervisory Board is in the process of being appointed. A very high-quality candidate has been identified to fill the position of Chairman. This person would also serve as one of the four public policy members of the Supervisory Board. Good progress is also being made to identify the remaining three public policy members that must also be nominated by the Commission. EFRAG's General Assembly will formally decide about their appointment to the Supervisory Board.

The Commission also recalled that an agreement was reached in early May about the future co-funding of EFRAG and the IASCF from the Community budget. For EFRAG, this funding will be available from 2010, while for the IASCF it will be available from 2011 – subject to sufficient progress being made to enhance the IASCF's governance, as spelled out in the relevant Council and Parliament decision.

**ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE**

**Meeting of 12 June 2009**

**PARTICIPANTS' LIST**

Austria

Belgium

Commission normes Comptables  
FOD Economie

Bulgaria

Ministry of Finance

Cyprus

Permanent Representation

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Estonia

Permanent Representation  
Estonian Accounting Standards Board

Finland

Ministry of Employment and the Economy

France

Ministère des Finances  
Permanent Representation

Germany

Bundesministerium des Justiz

Greece

Ministry of Economy and Finance

Hungary

Ministry of Finance  
Permanent Representation

Ireland

Department of Enterprise, Trade and Employment

Italy

Ministry of Economy and Finance

ISVAP

CONSOB

Latvia

Lithuania

Permanent Representation

Luxemburg

Malta

The Netherlands

Ministry of Finance

Poland

Ministry of Finance

Portugal

CNC

Romania

Ministry of Public Finance

Slovakia

Ministry of Finance

Slovenia

Ministry of Finance

Spain

Banco de España

ICAC

Sweden

Ministry of Justice

United Kingdom

Department for Business Enterprise & Skills

OBSERVERS

Croatia

Ministry of Finance

Iceland

Liechtenstein

Norway

Ministry of Finance

European Institutions/Committees

European Central Bank (ECB)

Committee of European Securities Regulators (CESR)

Standards Advice Review Group (SARG)

Commission

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ARMININI Mauro /F3

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BERNIER ABAD Nicolas /F3

BIEBEL Reinhard/F3

BOCQUERAZ Claude/F3

HRUDOVA Jitka /F3

LEBRUN Ludovic /F3

LEPPILAHTI Arto /F3

MAJOROS Dora /F3

MONZON Angel/F3

ROONEY Paul /F3