



**MINISTÈRE
DE L'ÉCONOMIE
DES FINANCES
ET DE LA RELANCE**

*Liberté
Égalité
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Le Président

**Conseil de normalisation
des comptes publics**

Paris, October 14, 2021

Mr Ross Smith
Technical director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft 79, *Non-current Assets Held for Sale and Discontinued Operations*

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Exposure Draft 79, *Non-current Assets Held for Sale and Discontinued Operations* published in April 2021 (ED79).

We acknowledge that this is a convergence project that originated from the Measurement project.

While the topic does not reflect the core activity of the public sector, such operations exist and high quality financial reporting would be useful for transparency purposes in the public interest. In that sense, we commend the IPSASB for addressing this topic.

As an overall comment on ED79, we find the draft standard complex to follow and we would appreciate more clarity in the presentation of the future standard. While we understand that the draft standard deals with assets or disposal groups held for sale on the one hand and discontinued operations on the other hand, we feel that at some point financial reporting requirements on those two situations are connected, but we fail to get a clear picture as to how they are connected. Questions we get range from “Do requirements for assets held for sale also apply to discontinued operations?” to “What is the difference between abandoned activities and discontinued activities?” The latter question also echoes translation concerns. To address

those issues, we would suggest that providing a decision tree in Application Guidance would help users figure out what situation they are in and which requirements should apply.

To illustrate the complexity of the requirements, we note that in paragraph 8, non-current assets (or disposal groups) may be classified as held for sale or discontinued operations; but we also understand from the definition of discontinued operations in paragraph 9 that discontinued operations could be classified as held for sale. Users seem to be missing the articulation, hence are confused as to what requirements should apply.

A further example relates to a perceived confusion with respect to paragraphs 27 and 47. While paragraph 27 seems to require remeasurement only for those assets or liabilities in a disposal group that are not within the scope of the measurement requirements of ED79, paragraph 47 mentions remeasurement for any non-current asset classified as held for sale. We would therefore suggest that situations where remeasurement could occur should be clarified.

In relation to that perceived complexity, we would like to raise an issue that constituents from the private sector also point out in our jurisdiction, that the non-current asset (or disposal group) held for sale should no longer be depreciated. This actually is problematic as production goes on until the asset is derecognised while all charges, namely depreciation, are not accounted for. This perceived adverse effect is however somehow mitigated in the public sector as production is more service provision oriented (with a small impact on inventories in the balance sheet) and less benefit driven.

In addition, we note that the future standard does not address the accounting of disposal groups transferred from one public sector entity to another public sector entity. Those operations are frequent in the public sector and are not addressed in IPSAS 40, *Public Sector Combinations* from the transferor's perspective, which could be perceived as a gap in IPSAS accounting literature. Some issues could be prevalent and worth addressing such as good quality qualitative information on the service potential, as well as its relevance to the public mission of the transferee, of those assets or groups of assets most often transferred at their carrying amount.

We strongly believe that the above mentioned information would feed better quality financial reporting than disclosing the fair value of assets classified as held for sale measured at their carrying amounts. For that reason, we would also suggest that the disclosure of fair value should be provided on a voluntary basis, if not fully discarded, rather than added as a requirement in the future standard.

Lastly, we would like to point out that IFRS 5 is currently listed in Appendix B of the Request for Information for the IASB's Third Agenda Consultation (comments to be received by 27th of September 2021) as a potential project that could be taken onto the IASB's agenda. Many implementation issues were raised as part of the IASB's 2015 Agenda Consultation to which the IASB responded that a Post Implementation

Review (PIR) would be the most effective path forward to address those issues; yet, the PIR has still to start. Therefore we would wonder whether the timing to address a convergence project on this topic is appropriate.

The response to the detailed question set out in the ED is presented in the attached appendix.

Yours sincerely,

Michel Prada

APPENDIX

Specific Matter for Comment

The IPSASB decided that there was no public sector specific reason to depart from the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. However, the IPSASB considers that, where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes.

The additional proposed disclosure is shown at paragraph 52 of this ED.

Do you agree with this disclosure proposal? If not, why not?

We think that the additional requirement proposed by the Board may pose questions on the two following aspects:

- Departure from IFRS 5 requirements: if the Board sees no reason to depart, what is the rationale for this additional disclosure requirement, all the more as disclosure are often considered a burden? As such, this additional requirement could call into question the public interest that the *Board* wishes to protect here;
- The measurement requirement for non-current assets held for sale is the lower of fair value less costs to sell and carrying value of the assets (disposal groups), and there is no proposed alternative treatment: such measurement requirement would implicitly mean that fair value, when higher than the carrying amount, would not provide relevant information. We are concerned that maintaining the proposed additional disclosure requirement might undermine the quality of the measurement provided in the primary financial statements. In addition, transactions for non-current assets classified as held for sale may take some time to complete, often due to price negotiations, or to the many steps the sales process must follow; which could cast uncertainty on the fair value of the assets. We therefore believe that requiring disclosure of the fair value of non-current assets held for sale wouldn't achieve the transparency and accountability objectives mentioned in paragraph BC12.

For the reasons stated above, we would suggest that the disclosure of fair value should be provided on a voluntary basis, if not fully discarded, rather than added as a requirement in the future standard.