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International accounting standards (IFRS 8)

European Parliament resolution of 14 November 2007 on the draft Commission regulation amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 8, concerning disclosure of operating segments

The European Parliament,

- having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards¹,
 - having regard to the draft Commission regulation amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 8, concerning the disclosure of operating segments,
 - having regard to Article 8 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission²,
 - having regard to Council Decision 2006/512/EC of 17 July 2006 amending Decision 1999/468/EC³,
 - having regard to its resolutions of 24 October 2006 on the implementing measures of the Transparency Directive⁴ and the Prospectus Directive⁵,
 - having regard to the plenary debate of 25 April 2007 during which it was decided to adjourn the vote on the motion for resolution regarding International Financial Reporting Standard (IFRS) 8 because the Commission services agreed to carry out an impact study and to present this to the Economic and Monetary Affairs Committee on 10 September 2007,
 - having regard to the Commission report entitled 'Endorsement of IFRS 8 Operating Segments - Analysis of Potential Effects', of 3 September 2007,
 - having regard to Rule 81 of its Rules of Procedure,
- A. whereas for the consolidated accounts of EU companies listed in the European Union, it has been decided to apply international accounting standards; whereas those accounting

¹ OJ L 243, 11.9.2002, p. 1.

² OJ L 184, 17.7.1999, p. 23.

³ OJ L 200, 22.7.2006, p.11.

⁴ OJ C 313E, 20.12.2006, p. 114.

⁵ OJ C 313E, 20.12.2006, p. 116.

standards are incorporated into EU law by way of the committee procedure,

- B. whereas convergence of financial reporting standards must make it possible to produce higher quality financial statements,
- C. whereas segmental reporting according to the business model being pursued is important for understanding financial statements, including appropriate geographical information,
- D. whereas segmental disclosure must be comparable,
- E. whereas two years after the implementation of IFRS 8, the International Accounting Standards Board should carry out a review,
- F. whereas all EU companies listed in the European Union, irrespective of their size, should comply with EU law, including the IFRS, as endorsed by the European Union,
- G. whereas the Commission committed itself to carrying out an assessment of the impact of IFRS 8,
 - 1. Accepts the Commission's proposal to endorse IFRS 8, incorporating US Statement of Financial Accounting Standard No 131 into EU law, which will require EU companies listed in the European Union to disclose segmental information in accordance with the 'through-the-eyes-of-management' approach;
 - 2. Regrets that the impact assessment carried out by the Commission did not sufficiently take into account the interests of users as well as the needs of small and medium-sized companies located in more than one Member State and companies operating only locally;
 - 3. Recalls that the convergence of accounting rules is not a one-sided process where one party simply copies the financial reporting standards of the other party;
 - 4. Expresses reservations as regards the Commission's analysis that disclosure of geographical information on the basis of IFRS 8 would, in practice, not be reduced compared to the situation under International Accounting Standard 14, and considers it vital that management continues to provide segmental information sufficient to allow users to assess the risks and drivers of the business in terms of geography, where relevant country-by-country, and business sector and asks the Commission to report back to Parliament on the outcome of the discussion with the IASB on this issue within six months of the adoption of this Resolution;
 - 5. Notes that the 'chief-operating-decision-maker' concept could be seen as a function, and, as such, could fit in with the concept of board collective responsibility as provided in EU law;
 - 6. Requests the Commission to follow closely the application of IFRS 8 and to report back to Parliament no later than 2011, inter alia, regarding reporting of geographical segments, segment profit or loss and the use of non-IFRS measures; underlines that if the Commission discovers deficiencies in the application of IFRS 8 it has a duty to rectify such deficiencies;
 - 7. Stresses that Parliament will actively use its right of scrutiny; underlines that the IASB/International Accounting Standards Committee Foundation and the Commission in

particular must therefore engage more closely with Parliament and EU stakeholders than they have done to date because failure to do so has caused serious problems such as, for example, in the case of IFRS 8; considers that Parliament should be involved at the earliest stages of the standard-setting process in order to avoid significant delays in the endorsement process;

8. Requests, therefore, that the Commission go beyond voluntary guidelines and support the development of an appropriate accounting standard requiring country-by-country reporting by extractive companies;
9. Stresses that the Commission should in all cases follow its own principles of better regulation, and that, in particular as regards international accounting standards, it must ensure that impact assessments are carried out at the earliest stages in the development of those international accounting standards or interpretation and provide the necessary support; underlines that such impact assessments must incorporate quantitative information and reflect a balancing of interests among stakeholders;
10. Stresses the importance of appropriate enforcement of accounting standards, namely the capacity for Parliament properly to exercise its right of scrutiny;
11. Instructs its President to forward this resolution to the Council, the Commission and the parliaments and governments of the Member States.