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MOTION FOR A RESOLUTION

pursuant to Rule 81 of the Rules of Procedure

by the Committee on Economic and Monetary Affairs

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
(C6-0000/0000)

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European Parliament resolution 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 (C6-0000/0000)

The European Parliament,

- having regard to European Parliament and Council Regulation 1606/2002¹,
- 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 disclosure of operating segments (C6-0000/0000),
- 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 resolution of 24 October 2006⁴ on the accounting standards used by third country issuers and their equivalence to IFRS setting out the conditions under which the EU has accepted the convergence and equivalence process between the IFRS as adopted by the EU and US GAAP,
- 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; having regard to the fact that convergence of financial reporting standards must make it possible to produce higher quality financial statements,
- having regard to the Commission services' 'Endorsement of IFRS 8 Operating Segments - Analysis of Potential Effects - Report' of 10 September 2007,

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 European Parliament resolution on the accounting standards used by third country issuers and their equivalence to IFRS as mentioned in the draft implementing measures of the Prospectus Directive and the Transparency Directive (draft Commission regulation amending Regulation (EC) No 809/2004 as regards the accounting standards in accordance with which historical information contained in prospectuses is drawn up, and draft Commission decision on the use by third country issuers of securities of information prepared under internationally accepted accounting standards) - P6_TA-PROV(2006)0436.

- having regard to Rule 81 of its Rules of Procedure,
- A. whereas for the consolidated accounts of listed EU companies the European Union has decided to apply international accounting standards; whereas these accounting standards are incorporated into EU law through comitology,
- B. whereas segmental reporting according to the business model being pursued is important for understanding financial statements, including appropriate geographical information,
- C. whereas segmental disclosure must be comparable,
- D. whereas, two years after the implementation of IFRS 8, the IASB should carry out a review,
- E. whereas all listed EU companies, irrespective of size, should follow EU law, including IFRS as endorsed by the EU,
- F. whereas the Commission was committed to carry out an assessment of the impact of IFRS 8,
 1. Accepts the Commission's proposal to endorse IFRS 8 incorporating US SFAS 131 into EU law, which will require listed EU companies to disclose segmental information following the 'through the eyes of management approach';
 2. Regrets that the impact assessment carried out by the Commission did not take sufficiently into account the interests of users as well as the needs of small and medium-sized companies located in different European countries and companies operating only locally;
 3. Recalls that convergence of accounting is not a one-sided process where one party simply copies the financial reporting standards of the other party;
 4. Expresses reservation as to the Commission's analysis that disclosure of geographical information would in practice not be reduced compared to IAS 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 the next six months;
 5. Notes that the 'Chief Operating Decision Maker' concept could be seen as a function, and as such can fit the concept of the board having collective responsibility as set out in European 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 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 therefore that the IASB/IASCF and the Commission in particular must engage more closely with Parliament

and European stakeholders than they have done so far, because failure to do so has caused serious problems as, for example, with IFRS 8; considers that it should be involved in 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 in all cases should follow its own principles of better regulation, and that, in particular regarding international accounting standards, it must ensure that impact assessments are carried out at the earliest stages in the development of international accounting standards or interpretation, and provide the necessary support; underlines that such impact assessments must incorporate quantitative information and reflect an equilibrium between stakeholders;
10. Stresses the importance of appropriate enforcement of accounting standards, namely the capacity for the EP to properly exercise its right of scrutiny;
11. Instructs its President to forward this resolution to the Council and Commission, and the parliaments and governments of the Member States.