Resolution on international accounting standards

2007/2550(RSP) - 14/11/2007 - Text adopted by Parliament, topical subjects

The European Parliament adopted a 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 as regards International Financial Reporting Standard (IFRS) 8, concerning disclosure of operating segments. Parliament accepted the Commission's proposal to endorse IFRS 8, incorporating US Statement of Financial Accounting Standard No 131 into EU law, which would require EU companies listed in the EU to disclose segmental information in accordance with the 'through-the-eyes-of-management' approach. However, it regretted 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.

Parliament recalled that the convergence of accounting rules was not a one-sided process where one party simply copied the financial reporting standards of the other party. It expressed reservations regarding 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. Members considered it vital that management continued 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. It asked 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. It also asked 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. Parliament underlined that, if the Commission discovered deficiencies in the application of IFRS 8, it had a duty to rectify such deficiencies.

Parliament stressed it would actively use its right of scrutiny, and underlined 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. Failure to do so had caused serious problems such as in the case of IFRS 8. Parliament should be involved at the earliest stages of the standard-setting process in order to avoid significant delays in the endorsement process. It asked that the Commission go beyond voluntary guidelines and support the development of an appropriate accounting standard requiring **country-by-country reporting by extractive companies**.

Commission should in all cases follow its own principles of better regulation, and 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. Such impact assessments must incorporate quantitative information and reflect a balancing of interests among stakeholders. Parliament stressed the importance of appropriate enforcement of accounting standards, namely the capacity for Parliament properly to exercise its right of scrutiny.