



IASB - International Accounting Standards Board
Comment letters
30 Cannon St.
London, EC4M 6XH
United Kingdom

21 January 2009

Dear Sir or Madam,

RE: IFRS 5: DISCONTINUED OPERATIONS

BUSINESSEUROPE welcomes the opportunity to comment on the draft amendment to IFRS 5 revising the definition of discontinued operations and related disclosures.

BUSINESSEUROPE supports defining discontinued operations as operating segments. However BUSINESSSEUROPE disagrees with the changes in the disclosures for the following reasons:

- the component notion has never been an active notion in IFRS and would be yet a supplementary notion and subject to interpretation difficulties;
- disclosures should continue to explain the amounts shown in the primary statements;
- reaching convergence with US GAAP should be exempt of compromises if high quality solutions are to be adopted;
- in this specific instance, prospective application of the amendments should be decided, to ensure relevance and understandability of the information reported.

Detailed arguments in support of our views are set out in the enclosed appendix.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,

(original signed by)

Jérôme P. Chauvin
Director
Legal Affairs Department
Internal Market Department

**Appendix to BUSINESSEUROPE letter of comments on IFRS 5 Amendments: Discontinued Operations.*****1- Definition of Discontinued Operations***

BUSINESSEUROPE agrees with discontinued operations being defined on the basis of operating segments. We believe that entities are being organised in line with their strategy. We therefore agree with the Board that basing the defining discontinued operations as operating segments is the appropriate way in which to capture strategic shifts that users should understand.

The definition of operating segments is based on the structure of internal reporting. As a result we believe that the definition is operational for all entities, whether listed or not, whether subject to IFRS 8 or not. Bearing in mind that the simplest companies may not have different segments, we acknowledge that they would never be in a position to present discontinued operations. We are comfortable with this conclusion as well.

2- Amounts shown for discontinued operations

BUSINESSEUROPE agrees with the Board that amounts shown for discontinued operations should be compliant with IFRS, without any exception. Discontinued operations are shown as part of primary statements and computing discontinued operation amounts on a different basis would yield very inconsistent financials.

3- Disclosures for all components of an entity that have been disposed of or classified as held for sale

BUSINESSEUROPE strongly disagrees with the extension of disclosures related to discontinued operations to every single component of an entity that has been disposed of or classified as held for sale. The following explains our reasoning:

- disclosures in our view are designed to explain amounts shown on primary statements or to provide supplementary information. Disclosures related to discontinued operations should remain consistent with the decision to report as discontinued operations only segments of business that are significant enough to form operating segments. If the so called components of an entity are not worth showing in the primary statements, we do not think that detailed related disclosures have any chance of being useful;
- in IFRS, the “component” notion has never been an active notion. It is a supplementary notion, adding to the existing list of a group of assets, a business, a cash generating unit, an operating segment. When should cash generating units be grouped, when shouldn't they?



- disclosing impacts of discontinuances of cash generating units suggests burdensome pro forma accounting, including comparatives. Information necessary to provide the pro forma amounts may not be readily available and providing them would generate costs beyond benefit;
- the information provided may have in itself very little value to investors as discontinuances at the component level may take place every year making the information provided meaningless;
- the decision by the IASB seems to be the result of a compromise with the FASB. While compromises in the interest of convergence might be beneficial in some circumstances, we do not think that any compromise should be reached at the expense of the quality of the resulting converged requirement. In that case we think that quality is severely undermined.

4- Transition

Although BUSINESSEUROPE usually favors retrospective application, we do not support it in this case. We recommend prospective application to all new discontinued operations. Retrospective application would indeed create meaningless and confusing information in this area. Reporting as continuing operations bits of business or sale related transactions while investors have already been led to understand the discontinuance the year before would be particularly disruptive. Retrospective application is more particularly designed to ensure comparability. Successive discontinued operations are by nature different from each other, and the information presented cannot be aligned, whatever transition selected. We would support, if the IASB thought it useful, that indication be given in the notes, along with the explanations related to the implementation of the new definition, whether items reported as discontinued in the prior period would have met the revised definition.
