

Le Secrétariat général

Fondazione Organismo Italiano Contabilità
Via Poli, 29
00187 Roma

Paris, Monday 15th of October 2012

Dear Sirs

The French Society of Financial Analyst, SFAF, represents more than 1 600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS) which comprises 24 member organisations representing more than 14,000 investments professionals. Its Accounting and Financial Analysis Commission intends to represent analysts and fund managers in the debate on accounting standards.

Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion in the debate on accounting standards.

We are pleased to answer to your questionnaire send in common with EFRAG on IFRS 3 and goodwill amortization. We answer as requested on the part 1 questions which are more directed to users. In case of further questions on our answers do not hesitate to contact us (bbeauvois@sfaf.com general secretary or JDeGreling@sfaf.com or ballard@sfaf.com presidents of the SFAF accounting committee)

We recognize the importance of the matter you want to discuss and we recognize also that our members could have different practices in assessing goodwill related information. In particular analysts on banking industry disregard goodwill since it is (or the utmost part of it) directly deducted from equity for solvency computation. It is a common practice of investors to also include an analysis with goodwill in the computation of economic capital invested by shareholders in order to determine a return (ROCE). However on the other hand investors focusing on cash either on the credit analysis side or on the private equity side pay no attention to goodwill impairment or depreciation since they are non cash items. Nevertheless we answer on your questionnaire trying to have a reasonable assessment of our member practice.

Question 1: Goodwill consistency

We believe that goodwill consists of (1) unrecognized assets that generate future economic benefits (e.g. workforce....) (3) overpayment of the target company and (5) synergies.

Question 2: Usefulness of Goodwill

A majority of our members do not use the information on goodwill presented in the financial statement when assessing the financial position and performance of an entity.

Question X1: Why you disregard information on goodwill?

(2) because the information on goodwill reported in the financial statement is not sufficiently reliable (assumptions applied by the entity which cannot be easily verified or examined), specifically the choices in allocation to CGU seems not very reliable to us and in most of the cases is not explained or defended (4) because it is unclear what the reported goodwill consist of (mixture of old acquired goodwill, newly internally generated one) and that there are potential reallocation of goodwill among cash generating units

Question X2: Are they other way to account for goodwill which could make financial information more useful for users?

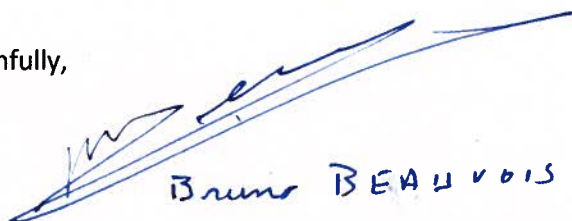
our members have a split view on the issue, so we cannot chose between (1) and (2), some of our constituents believe that a form of goodwill depreciation could provide a better information, but on a part of the goodwill (a depreciable part) and on a not too long period (10 year maximum). This is also a key issue on assessing the performance of M&A since the lack of recognition of depreciation of some part of acquired asset transforms all acquisition in enhancing one's reported performance. The instant accretion of EPS and RoE, key performance metrics, is not automatically linked to a real economic performance, which is misleading.

Question 3 additional comments.

We view the current practice of impairment as partially useful only because company usually provides additional information on the business plan of the area where goodwill is impaired. Apart from that positive point in most of the listed company we look at, goodwill impairment is accounted with a huge time lag with issues and problems of a specific area, which mean that expectation of future cash flow was already revised down by investors and analyst. We recognize that goodwill impairment is also deeply pro cyclical which tend to create issues in company communication. And on the cases where goodwill impairment could bring valuable information (smaller company, non listed company issuing bonds...) the details on the assumptions behind the impairment are generally not detailed enough (discount rate, growth rate....) to be useful.

We thank you for the opportunity given to us to provide our view on such important aspects of financial reporting and remain available for any further information.

Yours faithfully,



Bruno BEAUVOIS