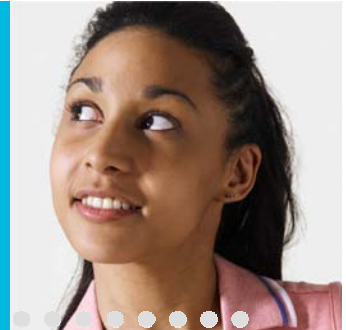


# IFRS IMPLEMENTATION ISSUES AND THE FUTURE

INTACCT Meeting



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## Agenda

1. ALCATEL-LUCENT'S EXPERIENCE OF IMPLEMENTING IFRSs WHEN ADOPTED IN 2005
2. DIFFICULTIES EXPERIENCED WITH REPORTING UNDER IFRSs
3. IMPACTS OF THE FINANCIAL CRISIS IN THE CONTEXT OF REPORTING UNDER IFRSs
4. WHERE ARE IFRSs HEADING ?

# 1

## ALCATEL-LUCENT'S EXPERIENCE OF IMPLEMENTING IFRSs WHEN ADOPTED IN 2005



### IFRS IMPLEMENTATION ISSUES AND THE FUTURE

#### 1. Alcatel-Lucent's experience of implementing IFRSs when adopted in 2005

1. The changeover from French GAAP to IFRSs represented a radical change, although our experience of US GAAP helped to soften the impact
2. Principles-based standards with little guidance on how to interpret them
3. The changeover to IFRSs was a major project mobilizing significant resources
4. Worked closely with our Auditors

# 2

## DIFFICULTIES EXPERIENCED WITH REPORTING UNDER IFRSs



### IFRS IMPLEMENTATION ISSUES AND THE FUTURE

#### 2. Difficulties experienced with reporting under IFRSs

1. Working with standards that initially were not finalized and that are constantly changing

IFRS IMPLEMENTATION ISSUES AND THE FUTURE  
IASB's Initial Agenda of 9 Technical Projects in 2001

1. Projects intended to provide leadership and promote convergence:
  - Accounting for insurance contracts;
  - Business combinations;
  - Reporting financial performance; and
  - Accounting for share-based payments.
2. Projects intended to provide for easier application of IFRSs:
  - Guidance on first-time application of IFRSs;
  - Activities of financial institutions: disclosure and presentation.
3. Projects intended to improve existing standards:
  - Preface to IFRSs;
  - Improvements to existing IASs; and
  - Amendments to IAS 39 Financial Instruments: Recognition and Measurement.

IFRS IMPLEMENTATION ISSUES AND THE FUTURE  
IASB's 16 Other Issues adopted as Partner Projects

- Accounting measurement;
- Accounting by extractive industries;
- Accounting for financial instruments based on a full fair value model;
- Accounting for leases;
- Accounting by small and medium entities and emerging economies;
- Accounting for taxes on income;
- Business combinations;
- Consolidation policy;
- Definitions of elements of financial statements;
- Derecognition issues (other than those in IAS 39);
- Employee benefits;
- Impairment of assets;
- Intangible assets;
- Liabilities and revenue recognition;
- Management's Discussion and Analysis; and
- Revaluation of certain assets.

2. Difficulties experienced with reporting under IFRSs

1. Working with standards that initially were not finalized and that are constantly changing
2. Results more volatile
3. Whilst we still had to report US GAAP financial statements to the SEC, we privileged a US understanding of IFRS to avoid interpretation issues with the SEC
4. Lack of guidance in certain of the IFRSs (e.g. measurement, revenue recognition, definition of control for consolidation purposes)

# 3

## IMPACTS OF THE FINANCIAL CRISIS IN THE CONTEXT OF REPORTING UNDER IFRSs



1. Introduction
2. Impact on financial assets of decreasing fair values
3. Impairment of fixed assets and goodwill: decrease in recoverable values
4. Pensions and other post-employment benefits
5. Balance sheet structure, debt/equity ratios, liquidity risk

# 4 WHERE ARE IFRSs HEADING ?



## IFRS IMPLEMENTATION ISSUES AND THE FUTURE

### 4. Where are IFRSs heading ?

#### 1. Introduction

#### 2. Convergence of US GAAP with IFRSs

- 2006 MOU and 2008 Update
- 2009 Further statement
- 2011 Expected completion

#### 3. Major Upcoming Changes in IFRSs

- New revenue recognition standard replacing IAS 18 and IAS 11
- Replacement of IAS 39
- Abandonment of proportionate consolidation
- Financial statement presentation
- Derecognition of financial assets
- Lease accounting
- Who owns International GAAP?

#### 4. Conclusion

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