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Closing of the 2021 financial statements: the AMF publishes its recommendations and the results of its recent work examining financial statements

As the closing of the 2021 financial statements comes closer, the AMF is providing listed companies with its recommendations and the summary of its examinations of the annual financial statements carried out between October 2020 and September 2021. Drawn up in line with the European priorities of ESMA, these recommendations address in particular the treatment of the impact of the pandemic and consideration of environmental risks.

Main points for attention of the financial statements examinations

Over the period from October 2020 to September 2021, just over three-quarters of the examinations led to recommendations and areas for improvement being sent to the companies. The most frequent points for attention concerned the impairment tests of non-financial assets (in particular the information provided concerning the operational assumptions used and the sensitivity analyses), and information on credit risk (impairment of trade receivables, factoring programme). Revenue recognition was also the subject of recommendations, often to clarify the link between the presentation of their activities and the principles of revenue recognition.

The AMF also illustrates this section with a few specific case studies, e.g. the recognition of deferred tax, classification as cash equivalents, the accounting treatment of the freeing up of floor space, and SPACs.

The AMF reiterates that it remains available to discuss major financial issues with companies and their auditors prior to closing of the accounts.

Lastly, the AMF stresses the obligation to use the ESEF format for 2021 annual financial reports. A dedicated page on the AMF website addresses the issues related to this new obligation.

Environment and pandemic: how to identify the impacts more clearly?

The importance of the link between environmental risks and financial statements will continue to increase and evolve over the coming periods. The AMF reiterates the need to start thinking on this subject and to establish links between financial and non-financial information, notably in the case of climate commitments. The AMF also emphasises the need, for all companies, to be transparent and clear in the financial statements regarding the way in which the environmental risks and their possible consequences were taken into account (including in depreciation periods and asset impairment tests).

A second section addresses the ongoing Covid-19 pandemic. In line with the 2020 recommendations, it goes back over the need for transparency in a 2021 context of lack of visibility regarding the evolution of this health crisis and its impacts on the economy, with very diverse situations from one company to another.

Lastly, a specific section is devoted to financial institutions regarding credit risk. This section stresses the importance of detailed information on exposure, impairment and the model for determining expected credit losses.

Read more

- Recommendation DOC-2021-06 : Closing of the 2021 financial statements and financial statements examination work
- ESMA - Public Statement on the European Common Enforcement Priorities 2021

Reporting extra-financier 2021 : l'AMF encourage les sociétés cotées à mettre en

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