

# Modernization of Financial Statements

ANC Regulation 2022-06  
applicable from 1 January 2025



# Preamble

ANC Regulation 2014-03 of 5 June 2014 has been amended by ANC Regulation 2022-06 on the General Chart of Accounts (PCG) published on 9 December 2022 by the Accounting Standards Authority (ANC). With the modernization of financial statements, the ANC is aiming for an ambitious triple objective of updating, simplifying and digitizing financial statements.

This new regulation applies for financial years beginning on or after 1 January 2025.

## 1. Main new features

The main new features in 5 points are the following:

- New definition of exceptional income;
- Disappearance of the method of transferring charges;
- Changes to the chart of accounts;
- Modernization of financial statements;
- New disclosure of the information contained in the annex.

### **1.1. New definition of exceptional income**

#### **1.1.1 Expenses and income included in the exceptional result:**

According to the new definition, exceptional income includes **income and expenses directly related to a major and unusual event** (i.e. not related to the normal and ongoing operation of the entity).

#### **What do these concepts cover?**

- **Major event:** an event the consequences of which may have an impact on the interpretation that users of financial statements may make of the entity's assets, financial position, profit or loss and on the decisions, they may be required to take.
- **Unusual event:** an event that is not related to the entity's normal and ongoing operations. An event that has not occurred in recent fiscal years and is considered unlikely to recur is presumed to be unusual.

For example, it can be a general strike, a cyberattack, an expropriation, a production stoppage, if the impact is significant. On the other hand, a tax audit may be considered a normal element in the life of a company, except in sectors where the occurrence would be extremely low.

- **Event-specific financial items:** need to identify income and expenses directly related to the major and unusual event that would not have been recognized in the absence of the event.

#### The regulation provides for 3 derogations from this definition:

- Accounting entries of purely tax origin (derogatory depreciation, etc.)
- Method changes recorded in profit or loss
- Errors' corrections.

This new definition, which also applies to consolidated financial statements under French rules, requires greater use of judgment to qualify exceptional items. Indeed, it is up to each entity to decide on the qualification of the events, in the light of its own facts and circumstances.

The Modernization Act did not provide an exhaustive list of examples to illustrate the concept of a major and unusual event, as each situation is unique.

#### 1.1.2. Consequences of the new definition:

All subdivisions of accounts "67" and "77" used in the exceptional result for penalties, bad debts, netbook values of assets sold and proceeds from the sale of tangible assets, are reclassified as current income.

The new nomenclature of the exceptional income accounts is therefore limited to 4 accounts, presented under two headings:

##### ❖ *Exceptional charges*

- Other exceptional charges « **678** »;
- Depreciation, depreciation and provisions «**687**».

##### ❖ *Exceptional products*

- Other exceptional income «**778**»;
- Reversals of depreciation and provisions «**787**».

### 1.1.3. Specific treatment of certain operations:

#### ❖ *Disposals of capital assets*

In the specific case of retirements of fixed assets, accounts "675" and "775" are now replaced by:

- Accounts «657» and «757» regarding intangible and tangible fixed assets;
- Accounts «667 and «767» for financial assets.

#### ❖ *Investment and balancing subsidies*

Similarly, the accounts for balancing and investment subsidies have been modified:

- The resumption of profit-based investment subsidies will be recorded in account «747»;
- For balancing subsidies, account "742" will now have to be used.

### 1.1.4. Information in the Annex:

The new regulation will entail specific information in the annex:

- Details of the items recognized in exceptional income and explain why the event is considered major or unusual.
- Details of items recognized by derogation (tax entries, changes in method recognized in profit or loss, error corrections).

### 1.1.5. Implications for the calculation of the CVAE and employee participation:

This new definition could have an impact on the employee participation reserve and on the CVAE, as well as on the elements of assessment of certain agreements, such as profit-sharing agreements and bank covenants, since certain elements currently excluded will have to be considered.

Therefore, particular attention will have to be paid to the indirect consequences of these reclassifications, **as a modification of certain agreements may prove necessary.**

## 1.2. Transfer of charges accounts are abolished

To improve the readability of the financial statements, the technique of transferring expenses has been abolished, replaced by a new accounting treatment allowing expenses to be reallocated at the end of the financial year.

As a reminder, the principle until 2024, was the allocation of expenses according to their nature in appropriate expense accounts (accounts "60" to "69"). It was forbidden to credit a charge except in the case of correction of an error. By derogation, entities were allowed to use "transfer of charges" accounts to reallocate expenses to a balance sheet account or to another income statement.

**The ANC Regulation abolishes the existence of transfer of charges accounts.** The allocation will now be made by credit of the expense account initially debited. To this end, the entity will have the option of creating credit sub-accounts with "9" termination.

### 1.2.1. Specific treatment of certain operations:

#### ❖ Activation of Loan Issuance Fees

Up to 2024, the costs of issuing loans were booked in the p&l and then recognized as an asset in the balance sheet via the credit of a "79" transfer of expenses account, in the p&l. At the end of each financial year, the asset recognized in the B&S was amortized by debiting the account "681200" Depreciation of operating expenses".

The ANC provides for a direct account of the costs of issuing loans as an asset in the balance sheet. The amortization of issuance costs is now recognized in financial income via an account of "Depreciation of the costs of issuing borrowings".

#### ❖ Re-invoicing of personnel costs

The ANC provides that the re-invoicing of personnel costs will be mandatory to be recorded in an account **"7084" Provision of staff.**

#### ❖ Reimbursements received from the State or a third party to compensate for personnel costs

The ANC indicates that reimbursements received directly as compensation for personnel costs (aids) will be systematically recorded to the credit of account **"649" Reimbursement of personnel expenses.**

### ❖ Insurance compensation

The ANC provides that all insurance indemnities received following a claim will now be credited to account **7587 "Insurance indemnities"**.

It is specified that the compensation received as compensation for the destruction or theft of a fixed asset will be considered as the sale price of the fixed asset and will be recorded as such in the new account **757 "Proceeds from the disposal of tangible fixed assets"**.

### ❖ Benefits in kind

Up to 2024, benefits in kind granted to employees used to be booked as follows:

1. Recognition of the initial expense by nature in the p&l (property rent, car ...)
2. Recognition of the benefit in kind by crediting an employee expense account "6414" by the counterpart of:
  - A transfer account "79" (very common practice) -> **abolished**
  - A mirrored credit employee account "6419" (common practice)
  - The credit to the originally debited expense account (rare)
  - The credit of a revenue account "708" for expenses not originally recorded such as free accommodation (rare).



#### **Actions to be implemented:**

These different processing operations should lead to changes in the configuration of the accounting systems to be consistent with the new accounting text.

It therefore appears necessary:

- Identify the following accounting patterns in the general ledger:
  - ➔ Invoicing for the provision of personnel
  - ➔ Aid and reimbursement of social security contributions
  - ➔ Benefits in kind
  - ➔ Insurance benefits
  - ➔ The distribution of the costs of issuing loans
- Opening of new subdivisions of accounts
- Deletion of accounts

### 1.2.2. Implications for the calculation of the CVAE and employee participation:

The abolition of burden transfers could have an impact on the employee participation reserve, on the calculation of the “VA” aggregate. Indeed, the VA aggregate is composed of a list of accounts listed in Article D 3324-2 of the Labor Code, which does not include expense transfer accounts. The new mechanism for adjusting expense accounts by crediting accounts initially debited should therefore have a direct impact.

Regarding the CVAE, the expected impact should be limited since transfers of non-deductible expenses are already excluded.

### 1.3. Chart of Accounts simplification

For the sake of simplification, there is now only one chart of accounts corresponding to the basic system. Accounts that have become obsolete, or whose level of granularity seemed too fine, are deleted.

The single chart of accounts will include:

- All **3-digit** accounts to meet the usual needs of management and control of accounts.
- At least the subdivisions are necessary for the preparation of the annual accounts, so that a single account is linked to only one item on the balance sheet or income statement.

The ANC proposes a transition table between the new chart of accounts and the old PCG.

The classifications provided for in these tables can be adapted according to the specific needs of the entities. When the accounts provided by accounting standards are not sufficient for the separate recording of all transactions, the company may open any necessary subdivision. Thus, the subdivisions of the current chart of accounts, even those that have been deleted, can still be used if the company so wishes.

### 1.4. Modernizing Financial Statement Templates

To improve the comparability of the financial statements, the ANC **maintains only 2 annual account models** (compared to 7 balance sheet models and 6 profit and loss models today) for the basic system.

The models of the developed system, which are little used in practice, are removed in the new PCG.

## **1.5. New presentation of information in the annex**

The current content of the notes to the annual accounts depends on the form of the entity, its size and its tax regime. This presentation is complex to read and does not make it possible to identify the simplifications that certain entities benefit from in drawing up their annex.

The information in the annex will now have to be presented according to standardized table templates, grouped into two categories, mandatory tables and indicative tables.

The new regulation will imply **a major work of recasting the annex as a whole**.

## **2. FIRST IMPLEMENTATION OF THE REGULATION**

The modernization of financial statements is mandatory for financial years beginning on or after January 1, 2025, with a possible early date of 2024.

### **2.1. No restatement of prior years**

The ANC specified that the new provisions would apply without having any consequences for previous years or considering the accounting previously used.

#### **For example:**

A provision recognized in the exceptional net result in 2024 will be reversed as of 1 January 2025 in accordance with the new definition of exceptional income.

Thus, the reversal of provisions and the expense actually incurred will be recognized in current income if the event to which they are directly related is not considered major or unusual. On the other hand, the exceptional result recorded in the accounts of the previous financial year is not restated according to the new definition.

### **2.2. Changes related to the new account templates**

Changes to the financial statement templates may result in reclassifications in column N-1 to comply with the new balance sheet and profit or loss templates applicable in the new regulation.

**Exemples :**

❖ ***Presentation N-1 of the exceptional result***

The items "Exceptional income and expenses on management operations", "Exceptional income and expenses on capital operations", and "Exceptional provisions and reversals", recorded in N-1, will be grouped together in column N-1 in the new item "Exceptional income" or "Exceptional expenses".

❖ ***Presentation N-1 of the transfer of burdens***

The transfers of N-1 expenses, as they have been adopted and published, will be presented in the column "Year N-1" in the items relating to "reversals of depreciation, provisions and depreciation"

**If reclassifications are made, the balance sheet and the N-1 income statement as they have been drawn up and published will be presented separately in the notes to N accounts.**

Any relevant information necessary to understand the changes in presentation will be provided in the appendix.

*The firm's experts are at your disposal to assist you in the practical implementation of this new regulation, in the analysis and measurement of the impacts of the reform as well as in the adaptation of the presentation of your financial statements.*



4-14, rue Ferrus 75014 Paris  
[contact@groupe-aplitec.com](mailto:contact@groupe-aplitec.com) | 01 40 40 38 38  
[www.groupe-aplitec.com](http://www.groupe-aplitec.com)