Comment Letters
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Paris, February 15, 2013

Exposure Draft 2012/2: Annual improvements to IFRSs 2011-2013 Cycle

Dear Sir or Madam,

MAZARS welcomes the opportunity to comment on the International Accounting Standards Board’s Exposure Draft, Annual improvements to IFRSs.

We disagree with the proposed amendments to IFRS 3 – Business Combinations – Scope exceptions for joint ventures:

- While we agree to align the terminology with IFRS 11 (“joint arrangement”), the amendments, as stated, create uncertainties as some may interpret that IFRS 3 shall be applied in the investors’ financial statements when the joint arrangement is established.

- The Board should consider addressing comprehensively, as part as a separate project, how some provisions of IFRS 3 shall be applied in the accounting for joint operations, joint ventures and associates (clarification of interactions between IFRS 3, IFRS 11 and IAS 28). The Exposure Draft ED/2012/7 - Acquisition of an Interest in a Joint Operation - Proposed amendment to IFRS 11 should also be part of this comprehensive separate project.

We generally agree with the other proposed amendments as they are in our view consistent with the objectives of the Annual improvements process (i.e: clarifying IFRSs or correcting a relatively minor unintended consequence, a conflict or an oversight). We have however identified some minor concerns that are detailed in the appendix to this letter.
Our answers to the questions raised in the Exposure Draft are shown in the appendix to this letter which summarises our concerns and opinion.

We would be pleased to discuss our comments with you and remain at your disposal should you need further clarification or additional information.

Best regards,

Michel Barbet-Massin

Head of Financial Reporting Technical Support
Issue 1: IFRS 1 – First-time Adoption of International Financial Reporting Standards – Meaning of effective IFRSs

Question 1
Do you agree with the IASB’s proposal to amend IFRS 1 as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the objective of the proposed IFRS 1 amendments to clarify that:

- an entity shall apply the same version of the IFRS throughout the periods covered by the entity’s first IFRS financial statements; and
- if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity’s first IFRS financial statements.

However, we believe that the clarification should be included directly in the Standard or its Application Guidance, instead of the Basis for Conclusions. Amending only the Basis for Conclusions is not consistent with the paragraph 3.76 of the proposed new edition of the IASB and IFRS Interpretations Committee Due Process Handbook stating that “Basis for Conclusions should contain only the rationale for why the IASB made the decisions it reached in developing or changing an IFRS. The Basis for Conclusions also includes the IASB’s responses to comments received when the proposals were exposed.”

In case the IASB decides to maintain the clarification in the Basis for Conclusions, we have the following comments on the proposed wording:

- BC11 b) states: “This gives users comparative information that was prepared using later versions of IFRSs that IASB regards as superior to superseded versions.”

We believe this statement is not accurate if the first-time adopter elects not to apply a new standard that is not yet mandatorily applicable.

In order to solve this perceived inaccuracy, we suggest amending point b) as follows: “This enables a first-time adopter to gives users comparative information that was prepared using later versions of IFRSs that IASB regards as superior to superseded versions.”

- We suggest using the word “application” when referring to the first application of a new standard, instead of using the word “adoption” to be consistent with IFRS 1 terminology: “Paragraph 8 allows a first-time adopter to apply a new IFRS that is not yet mandatory if that IFRS permits early adoption application.”

- We recommend being more specific on the reference to BC11 in the following sentence: “Notwithstanding the advantages set out in paragraph BC11b) of applying a more recent version of an IFRS, [...].”
Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Not applicable

Issue 2: IFRS 3 – Business Combinations – Scope exceptions for joint ventures

Question 1
Do you agree with the IASB’s proposal to amend IFRS 3 as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board’s proposal to substitute the term “joint venture” by “joint arrangement” in paragraph 2(a) of IFRS 3, so as it enables to:

- align the terminology with IFRS 11; and
- clarify that the IFRS 3 scope exclusion applies to all types of joint arrangements as defined in IFRS 11 (joint operations and joint ventures).

However we disagree with the Board’s proposal to explicit that the scope exclusion in IFRS 3 applies in the financial statements of the joint arrangement itself. We believe that the amendments, as stated, create uncertainties as some may interpret that IFRS 3 shall be applied in the investors’ financial statements when the joint arrangement is established. This confusion is reinforced by the proposed BC 5 (emphasis added): “Consequently, the IASB proposed to amend paragraph 2(a) of IFRS 3 to: [...] (b) clarify that it only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of IFRS 3.”

We think that the Board should explain in the Basis for Conclusions why IFRS 3 does not apply to the formation of a joint arrangement in the financial statements of the joint arrangement itself. We believe that the Basis for Conclusions shall also consider that IFRS 3 does not apply to the investor’s accounting for the formation of a joint arrangement since such transaction does not meet the definition of a business combination.

We note that the IASB issued in December 2012 the Exposure Draft ED/2012/7: Acquisition of an Interest in a Joint Operation - Proposed amendment to IFRS 11. In our opinion, the Board should consider addressing comprehensively, as part as a separate project, how some provisions of IFRS 3 shall be applied in the accounting for joint operations, joint ventures and associates (clarification of interactions between IFRS 3, IFRS 11 and IAS 28).
Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We disagree with the Boards’ proposal to require a retrospective application of these amendments. In case IFRS 3 was applied in the financial statements of a joint arrangement, a retrospective application would entail a change in the joint arrangement’s initial carrying amounts for assets and liabilities. The proposed amendments do not clarify what standard shall then be applied to determine the initial carrying amounts of assets and liabilities.

Issue 3: IFRS 13 – Fair Value Measurement – Scope of paragraph 52 (portfolio exception)

Question 1
Do you agree with the IASB’s proposal to amend IFRS 13 as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the IASB’s proposal to clarify that the portfolio exception in paragraph 48 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

However, we believe that this clarification should be inserted before paragraph 48 (instead of in paragraph 52) in order to reduce the risk of users’ misinterpreting the scope of paragraph 48.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions and effective date.
Issue 4: IAS 40 – Investment Property – Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 when classifying property as investment property or owner-occupied property

**Question 1**
Do you agree with the IASB’s proposal to amend IAS 40 as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the Board’s proposal to clarify the interrelationship between IFRS 3 and IAS 40.

**Question 2**
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions and effective date.