Mazars welcomes the opportunity to comment on the Report of the Trustees’ Strategy Review (IFRSs as the Global Standard: Setting a Strategy for the Foundation’s Second Decade).

We applaud to this comprehensive analysis of the IFRS Foundation’s role and responsibilities, from standard-setting activities to due process and from governance to financing. We note that the Trustees have taken into consideration many concerns expressed by stakeholders and have addressed them in a constructive way.

On the whole, we agree with the objectives proposed by the Trustees for the next decade of financial reporting standards setting. In particular, we fully support the Trustees on the following proposals:

- **Convergence and full adoption of IFRS**

  We support the end goal of full adoption of IFRSs throughout the world. These financial reporting standards should be clear, understandable and enforceable. Unfortunately, we feel that some past and current IASB projects are mainly driven by convergence objectives that appear detrimental to financial reporting standards quality. Therefore, we welcome the statement by the Trustees that convergence must not be a substitute for a worldwide adoption of these standards. This principle should be at the heart of the IASB financial reporting setting.
• Limitation of the IASB’s work to private sector entities

In the long term, we believe that the accounting framework developed by the IASB aims at being used by every entity, including not-for-profit entities and entities acting in the public sector. Nevertheless, given the current workload of the IASB and its limited resources, we consider that the current limitation of the IASB’s work to private sector entities is pragmatic.

• Three-tier system and governance

We supported the creation of a Monitoring Group, composed of official institutions or international public organisations. This link has enhanced the public accountability of the IFRS Foundation, the IASB and the IFRS Interpretations Committee and increased the legitimacy given to their work. In particular, thanks to the creation of the Monitoring Board, the process of appointment of Trustees has become more transparent and unbiased. As a consequence, in our view, the current three-tier structure is still appropriate.

Moreover, the proposal to develop a staff resource reporting direct to the Trustees will improve the IFRS Foundation independence vis-à-vis the IASB to manage their due process oversight.

• Cooperation with prudential supervisors

We understand that it is very difficult to reconcile the accounting standards perspective versus the financial stability requirements’ perspective since their objectives are different. Nevertheless, we support the implementation of an institutionalized collaboration of the IASB with official organisations ensuring prudential supervision over regulated financial industries. This will improve mutual understanding of these two perspectives in order to improve the two sets of rules. Such cooperation would give a better legitimacy to the work of the IASB and the IFRS Foundation.

However, there is also still a room for improvement regarding the following areas:

• Purpose of financial reporting standards

We agree that the objective of financial reporting is to provide transparent and comparable financial information regarding an entity that is primarily directed to investors, suppliers, banks and other stakeholders since they are the main users of this information.
Nevertheless, in making their economic decisions we believe that such stakeholders do not consider financial reporting only but also take into account the entity’s business and the way it manages it. We are thus convinced that a measurement approach relying on the entity’s business model is the best way to provide, from a user’s point of view, relevant information on the entity’s expected cash flows.

As a consequence, we believe that the overall objective of accounting standards as proposed should be revised to require that the financial information given by an entity according to IFRSs should take into account its business model.

- **Trustees’ Oversight responsibilities of the IASB’s due process**

We understand that the current wording of the Constitution leaves space to interpretation in the way the Trustees may supervise the Board’s work. Therefore, we support the Trustees’ conclusions that their oversight of the IASB’s due process should be clarified. We also agree with the proposal that the Trustees’ Due Process Oversight Committee should review and discuss due process compliance regularly throughout the standard-setting process and at the end of the process before a standard is finalised. The Trustees should consider how they could report their conclusions publicly on the Due process review.

Nevertheless, we have concerns that this process will only be a formal step before issuing a standard. We think that, given the importance taken by the IFRSs as the main set of financial reporting standards throughout the world, the Trustees should interpret their role in a more extensive way. In particular, regarding the due process, we believe the Trustees should:

- ensure that the Board considers all the comments sent by the constituents even if some arguments have already been analysed before the issuance of an Exposure-Draft,
- make sure that lack of re-exposure is duly justified,
- ensure that impact and post-implementation studies are duly done and the consequences of these studies drawn.

Therefore, we would strongly support any Trustees’ commitment to be more involved in these functions.
• **Trustees’ Oversight responsibilities of the IASB’s Agenda Setting**

The Report of the Trustee’s Strategy Review proposes that the IASB should undertake a clear demonstration of how priorities on its agenda are set. However, they do not define the role of the Trustees on Agenda Setting.

We consider the IASB agenda setting process as fundamental since this process implies the setting of accounting projects priorities. Due to the convergence objective, the IASB has adopted in the last years a very heavy workplan. However, in practice, the timeframe was not suitable and the IASB had to revise its agenda in 2010 in a drastic manner.

Therefore, we recommend the Trustees to perform annually an in-depth review of the IASB workplan. They should ensure that the Board has enough resources to conduct these projects and is concentrating on projects that are key to stakeholders. Such timetable and workplan reviews by the Trustees are required to give legitimacy to the IASB and the IFRS Interpretations Committee work.

• **Coordination with national and other accounting standard-setters**

The Trustees encourage the link between the IASB and a network of national and other accounting standard-setting bodies. These bodies would undertake research, provide guidance on the IASB’s priorities, encourage stakeholder input from their own jurisdiction into the IASB’s due process and identify emerging issues and inconsistencies in the application of IFRSs.

Nevertheless, we think that these organisations should be more involved in the due process. The IASB should leverage on their resources and their strong practical experience to improve its own standard-setting process.

For example, we agree with the Trustees that these standard-setting bodies should identify inconsistencies in the application of IFRSs. But their role should be broader. They could also propose some interpretations or standard amendments to resolve identified issues. It would result in a reduction of resources needed by the IASB and the IFRS Interpretation Committee or leverage on their resources. It is one example among many of the advantage to involve, in a more extensive way, national and other accounting bodies in standard-setting process.
• **Post-implementation**

The Trustees propose to undertake, jointly with the IASB, post-implementation reviews to help identify implementation issues. We support this undertaking of post-implementation review. However, we consider that this should be done by a body independent from the Board. Indeed while we feel impact studies should be undertaken by the Board (as they permit a better appropriation of the topics by the staff and the Board) doing the same as regards post implementation studies could induce conflicts of interest or at least suspicion of such conflicts by third parties. It is another field where national standard setters and other accounting bodies could help the IASB and the IFRS Foundation improve their public accountability.

Our comments above are assuming that major jurisdictions considering the adoption of IFRSs for domestic purposes in the coming 18 months will make a positive commitment on a time frame for adopting IFRSs. Lack of such a positive commitment would require the Trustees to revisit other elements of the IFRS Foundation Constitution such as the geographical distribution of the Trustees and IASB members.

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

Yours sincerely

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