Dear Sir or Madam,

MAZARS welcomes the opportunity to comment on the International Accounting Standards Board’s (the IASB’s) Exposure Draft, *Improvements to IFRSs*.

We are pleased to note that proposed amendments are consistent with the objective of the annual improvements process (i.e: clarifying IFRSs or correcting a relatively minor unintended consequence, a conflict or an oversight).

We generally agree with the proposed amendments, but have minor concerns regarding two of them:

- **IAS 16 – Property, Plant and Equipment.** We have a wording concern detailed in the Appendix to this letter.

- **IAS 1 – Presentation of Financial Statements.** We believe that the Board should specify in the proposed amendment to the Standard, and not only in the Basis for Conclusions, that additional comparative information presented should be adjusted when an entity applies a change in accounting policy on a retrospective basis. We also believe that an entity which presents a complete set of financial statements as additional comparative should be allowed to present the additional statement of financial position required in case of change in accounting policies, retrospective restatements or reclassification as at the beginning of the first additional period presented.
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 are at your disposal should you require further clarification or additional information.

Best regards,

Michel Barbet-Massin

Head of Financial Reporting Technical Support
Issue 1: IFRS 1 – *First-time Adoption of IFRSs* – Repeated application of IFRS 1

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

We agree with the Board’s proposal since it clarifies IFRS 1, by specifying that an entity is required to apply IFRS 1 again when the entity’s most recent annual statements did not contain an explicit and unreserved statement of compliance with IFRSs.

**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 effective date.

Issue 2: IFRS 1 – *First-time Adoption of IFRSs* – Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs

**Question 1**
Do you agree with the Board’s proposal to amend IFRS 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 transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the transition date to IFRSs.

We also agree with the Board’s proposal to:
- exempt first-time adopters to restate the borrowing cost component capitalised under previous GAAP before the date of transition, but
- require first-time adopters to account for borrowing costs incurred after the date of transition in accordance with IAS 23.

In our opinion, this approach meets the objective of IFRS 1: “*high quality information that can be generated at a cost that does not exceed benefits*”.

**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 effective date.
Issue 3: IAS 1 – *Presentation of Financial Statements* – Clarification of requirements for comparative information

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

We agree with the Board’s proposals since they clarify
- which statements shall be presented, as a minimum, as regards the "required comparative period", and
- which statements may be part of "additional comparative information" for periods before the required comparative period when, for instance, additional statements are required by regulatory bodies.

Nevertheless, we believe that the Board should specify in paragraph 38 B, and not only in the Basis for Conclusions (BC1), that additional comparative information presented should be adjusted when an entity applies a change in accounting policy on a retrospective basis. Since Basis for Conclusions are not part of IFRSs, but only accompanies them, we believe that meaningful precisions should be included in the amendment rather than in the Basis for Conclusions.

Therefore, we think that the paragraph 38B could be improved as follows:

“An entity may present additional comparative information for periods before the required comparative period as long as that information is prepared in accordance with IFRSs. This means, for example, that when an entity applies a change in accounting policy on a retrospective basis, it should adjust that additional comparative information in accordance with the new accounting policy as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. An entity may present additional comparative information in one or more statements without that additional comparative information comprising a complete set of financial statements. When this is the case, the entity shall present comparative information in the related notes for those additional statements. For example, an entity may present amounts for three periods (the current period, the required comparative period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity presents comparative information in the related notes to the financial statements related to that additional statement of comprehensive income.”

We also agree with the Board’s proposal in case of a change in accounting policies, or retrospective restatements or reclassifications to clarify that:
- the beginning of the required comparative period is the appropriate date for the opening statement of financial position, consistently with the notion of "required" comparative period in the context of the presentation of a complete set of financial statements
- an entity is not required to present related notes to the opening statement of financial position.
However, we believe that an entity which presents on a regular basis a complete set of financial statements as additional comparative information should be allowed to present the additional statement of financial position required in case of change in accounting policies, retrospective restatements or reclassification as at the beginning of the first additional period for which a complete set of financial statements is presented.

**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 1 – Presentation of Financial Statements – Consistency with the updated Conceptual Framework**

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

We agree with the proposed amendment to IAS 1.

**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 5: IAS 16 – Property, Plant and Equipment – Classification of servicing equipment**

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

We agree with the Board’s proposal to specify that servicing equipment qualifies as property, plant and equipment when an entity expects to use it during more than one period. This improves consistency and reduces a perceived contradiction in the way servicing equipment is addressed. One could infer from current wording that servicing equipment that is not used in connection with an item of property, plant and equipment shall be classified as inventory even though it is used during more than one period.

Next, we agree with the Board’s proposal to delete the requirement that spare parts and servicing equipment used only in connection with an item of property, plant and equipment shall be classified as property, plant and equipment. We believe that this requirement conflicts with the definition of a property, plant and equipment as stated in IAS 16 § 6 in case the spare parts and servicing equipment are used within one period.
We believe that in paragraph 8 it is unclear whether the term “major” applies to “spare parts” only or also to “stand-by equipment” and “servicing equipment”. We think that the consistency of the paragraph could be improved as follows:

“Spare parts and servicing equipment are often carried as inventory and recognised in profit or loss as consumed. However, stand-by equipment, servicing equipment and major spare parts qualify as property, plant and equipment when an entity expects to use them during more than one period.”

**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 6: IAS 32 – *Financial Instruments Presentation* – Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction

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

We agree with the proposed amendments to IAS 32 and to IFRIC 2.

We are convinced that the provisions of specific standards shall be on a "before tax consideration" basis. Any Income tax accounting treatment should be addressed by IAS 12.

In our opinion, this approach is the best way to:
- clarify the reading and understandability of the standards
- ensure consistency of the income tax accounting treatment within IFRSs
- avoid conflicts between IAS 12 general principles and potential specific tax provisions of other standards

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

We agree with the proposed amendment since it enhances consistency with the new requirements in paragraph 23 of IFRS 8 Operating Segments.

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 effective date proposed, being annual periods beginning on or after 1 January 2013.