Exposure Draft ED/2015/4: Updating References to the Conceptual Framework

Dear Hans,

Mazars welcomes the opportunity to comment on the International Accounting Standards Board’s Exposure Draft (hereafter ED) *Updating References to the Conceptual Framework*, issued on 28 May 2015.

We are concerned that a number of the proposed amendments (see the list in the Appendix) are not strictly editorial as they change references regarding the definition and/or recognition criteria of elements of the financial statements. This would to us be similar to replacing the text in existing standards which repeats those definitions and/or recognition criteria. We note that, for the latter, the IASB has refrained from changing the text on the grounds of possible unintended consequences.

Whilst we recognise the issue that would arise upon withdrawal of the existing text, in that the references would point to a no-longer existing text, we disagree that the amendments proposed by the IASB should be pursued further without a proper effects analysis.

In addition, we disagree with requiring retrospective application for those amendments and consider two years for implementation of all amendments to be the appropriate timing.

Our detailed comments to the questions raised in the Exposure Draft Paper are set out in the Appendix.

Please do not hesitate to contact us should you want to discuss any aspect of our comment letter.

Yours sincerely,

Michel Barbet-Massin

*Head of Financial Reporting Technical Support*
Appendix

**Question 1 – Replacing references to the Conceptual Framework**

The IASB proposes to amend IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 so that they will refer to the revised Conceptual Framework once it becomes effective.

*Do you agree with the proposed amendments? Why or why not?*

In the proposed amendments, we make the following distinction:

1. **Amendments** which appear to be **strictly editorial** in that they rephrase some aspects using the same wording as in the proposed Conceptual Framework but without changing the meaning. This is the case for the following amendments:
   - IFRS 4
   - IAS 1 on materiality
   - IAS 8 on materiality
   - SIC 32

2. **Amendments which**, by changing references to the Framework, actually **change the meaning** as they make reference to either the definition or the recognition criteria of elements in the financial statements. This is the case for the following amendments:
   - IFRS 2
   - IFRS 3
   - IFRS 6
   - IAS 1 on departure from IFRS
   - IAS 8 on selection of accounting policies
   - IAS 34 on the deletion of the sentence relating to expenses
   - SIC 27

We have no concerns regarding the editorial amendments.

However, we consider that the 2nd category we describe cannot be labelled as editorial as they actually could have some consequences which the IASB has not attempted to describe. Even though we understand from BC 4 that the IASB believes these changes will not have a significant effect on the requirement of the related standards, we note from BC 5 – BC 6 that the IASB has refrained from updating standards which include a repetition of the definition/recognition criteria contained in the existing Framework (IAS 37 and IAS 38) because updating them could run the risk of unintended consequences. We fail to see the difference between those cases where the IASB has not proposed an update and those where it does, because the definition/recognition criteria is not repeated.

As regards IAS 8, we consider it may be difficult for preparers to identify the accounting policies where reference to the Framework was made as, according to the IAS 8 hierarchy, other references also would come into play.

We acknowledge the issue of standards pointing to a no-longer existing text, upon withdrawal of the existing Framework, but we disagree that the amendments proposed by the IASB should be pursued further without a proper effects analysis.
**Question 2 – Effective date and transition**

The IASB proposes that:

(a) a transition period of approximately 18 months should be set for the proposed amendments. Early application should be permitted.
(b) the amendments should be applied retrospectively in accordance with IAS 8, except for the amendments to IFRS 3. Entities should apply the amendments to IFRS 3 prospectively, thereby avoiding the need to restate previous business combinations.

**Do you agree with the proposed transition provisions and effective date? Why or why not?**

Referring to our two categories above in our answer to Question 1:

- we have no concern regarding the strictly editorial amendments;
- we are concerned about retrospective application of the other amendments. We further note that IFRS 3 is the only amendment where prospective application would be required. As the amendments to the other listed standards are of the same nature to those of IFRS 3, we consider that they ought to follow the same treatment, ie prospective application and that a minimum of 2 years should be granted for their implementation.

**Question 18 – Other comments**

**Do you have any other comments on the proposals?**

We regret that the IASB has not performed a proper effects analysis of the changes it proposes.