International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Paris, 1 December 2011

RE: Request for Views on Agenda Consultation 2011

Dear Madam/Sir

We are pleased to comment on the above mentioned Request for Views (RFV) published by the IASB to gather views on the strategic direction and overall balance of the IASB’s work plan, as well as on the priority of individual projects or agenda areas over the next three years.

Before answering the specific questions raised in this RFV, we would like to emphasize that, in our view, the top priority for the IASB in the coming months should be the completion of the unfinished major projects on Financial Instruments, Revenue from Contracts with Customers, Leases and Insurance Contracts. The IASB should take the time necessary to evaluate the effect of the proposed principles, to anticipate any unintended consequences and to reconsider its proposals if need be.

In this respect, we believe the IASB should take into consideration the decision that will be made by the SEC by the end of the year as to the adoption of IFRSs in the USA. Should the SEC finally decide not to allow the adoption of IFRSs for American companies, some directions taken in certain projects, as part of joint deliberations with the FASB, may need to be reconsidered.
In our view, the IASB should give priority to the interests of the stakeholders already applying or using IFRSs, or having decided to do so in the near future, rather than focusing on convergence with US GAAPs at all costs. Furthermore we believe that the IASB should abandon issuing these new standards on joint projects if the FASB has decided not to adopt them, unless there is clear evidence that the new standard is a great improvement to users.

For instance, we do not believe that IFRS 10 represents an improvement compared to IAS 27 and SIC 12, and we regret that the Board decided to adopt it despite the absence of convergence benefits. On the other projects currently developed by the Board, we consider that no element during the last crisis has shown a need for changing the standards on Leases and Revenues which have demonstrated to be robust during this turmoil period.

Having said that, once the major on-going projects have been completed, we believe the IASB should dedicate its limited resources to improving the standards which are already being applied today. This means that substantial time should be dedicated to:

- post-implementation reviews of recently issued standards;
- the improvement of older standards that raised a significant number of practical implementation issues; and
- the finalisation of the revised Conceptual Framework.

We do not believe the IASB should focus on investing considerable amounts of time and resources in new projects. Instead, we suggest strengthening the standards which are currently applicable. Besides, we have not identified a major single topic not covered by current IFRSs.

In our opinion, this approach fits in well with the desire expressed by most parties interested in financial reporting to have a slowdown in the changes brought to the IFRS environment. Many important standards have been issued recently. A period of calm is necessary to assimilate all the new requirements and to consolidate the knowledge in the light of different practical situations. It is also important to take into consideration the workload represented by the conversion to IFRSs of many emerging countries which justifies keeping a stable platform in the three years to come.

Finally, the IASB should stand ready to propose solutions on a timely basis to any unplanned agenda topic, if need be (as this was the case in 2008 with the financial crisis). Such extraordinary situations may occur again in the near future or are already taking place at the moment, given the sovereign debt difficulties of some European countries.
Our answers to the specific questions raised in this RFV are presented in the appendix attached below.

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

Yours sincerely

Michel Barbet-Massin
Head of Financial Reporting Technical Support
Appendix 1: detailed answers to the questions raised in the RFV on Agenda Consultation 2011

Q1. What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years?

Question 1(a)

Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

We do not believe the right strategy is to artificially identify two categories and five strategic areas within them.

We believe the IASB should develop its agenda for the next three years by focusing on the immediate needs of the stakeholders concerned by financial reporting. For this purpose, the IASB should select urgent and crucial items to be put on its active agenda but should at the same time deal with less significant items as part of its research activities. In our opinion, this approach would give less pressure on developing new or revised standards within a strict timetable and would still enable progress to be made on less important issues. Ultimately, when the accounting matters dealt with as part of IASB’s research activities are sufficiently developed, they would help reduce the number of issues arising during the discussion paper stage and the exposure draft stage and could also reduce the number of projects being re-exposed. This may also prevent from having to delay initially planned publication dates. To sum-up, we prefer having a short active agenda that is delivered on time and we suggest developing other topics (as different countries/people will inevitably have different views on what is important) without a rigid deadline under a more thorough research mode. We think that such research projects should only be moved to the main agenda when the IASB has a clear vision of the proposed direction.

Besides, we believe completing the revision of the Conceptual Framework is fundamental for reinforcing the robustness of IFRSs.
Question 1(b)

How would you balance the two categories and five strategic areas?

If you have identified other areas for the IASB’s agenda, please include these in your answer.

Should the two categories and the five strategic areas be maintained, we would give greater importance, in the future IASB’s agenda, to maintaining existing IFRSs. Developing financial reporting is a commendable objective. But it is not a priority, in our opinion, considering:

- the need for a period of calm as mentioned in our cover letter; and
- the limited resources the IASB has at its disposal.

After completing if necessary the four major projects that are currently under way (under the conditions listed in our cover letter), the IASB should attempt to identify the standards for which a post-implementation review and/or a revision is needed the most. In our opinion, this selection should be made taking into consideration:

- the recently issued standards for which the IASB has already committed to conducting post-implementation reviews (for instance, IFRS 8 and IFRS 3 as revised in 2008, which have already been added to the IASB’s work plan);
- the number of practical issues that were raised relating to specific existing standards, either during the IFRS Interpretations Committee meetings or, for instance, in the context of studies and outreach performed by EFRAG or National Standard Setters.

This identification of future agenda items should also be made, if need be, by collecting further evidence of need for improvements to existing standards by the means of issuing questionnaires, conducting surveys, etc. on specific topics to ensure they actually need to be put on top of the IASB’s agenda.

Q2. What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a)

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?
Considering what we have said earlier, we believe the IASB should give priority to:

- post-implementation reviews of recently issued standards or interpretations:
  
  - IFRS 2, *Share-based Payment*: this standard has given rise to a number of questions submitted to the IFRS Interpretations Committee. We believe the revision of this standard is a priority given the inconsistencies currently present in the standard, such as the existence of different methods for measuring the goods or services received depending on whether the services are rendered by employees or other third parties. Besides, we believe this standard is rule-based rather than principle-based and too much focused on anti-abuse measures, for instance in cases where a grant of equity instruments is cancelled. Since the Autorité des Normes Comptables, the French Standard Setter, has already performed considerable research on how to improve the requirements of IFRS 2, the IASB should capitalize on this work;
  
  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*: during the past two years, the IASB has been trying to solve two issues in particular: the write-down of a disposal group and the reversal of disposal group impairment losses relating to goodwill. Furthermore, some work has been performed on the definition of a discontinued operation and on the disclosures for disposal groups that are classified as held for sale, but that do not meet the definition of a discontinued operation. Nevertheless, this has finally not led to amendments to IFRS 5. We are of the opinion that these issues should be dealt with in the near future. We also think there is a need for reconsidering the link with IAS 39 (cf. exclusion of financial assets within the scope of IAS 39 from measurement provisions of IFRS 5). Applying IFRS 5 in industries such as the banking sector often leads to inconsistencies that are not understood by users;
  
  - IFRS 8, *Operating Segments*: a post-implementation review on this standard was added to the IASB’s work plan in October 2011. Considering the questions raised relating to the aggregation criteria and the identification of the chief operating decision maker, we agree with the IASB that IFRS 8 needs to be amended so as to improve the requirements on these topics. The report that has just been issued by ESMA (the European Securities and Markets Authority) should also be read carefully, since ESMA has conducted its own post-implementation review of this standard;

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1 Review of European enforcers on the implementation of IFRS 8 – Operating Segments (9 November 2011)

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- IFRS 3, *Business Combinations* as revised in 2008 (along with IAS 27, *Consolidated Financial Statements* as revised at the same date): we are of the opinion that a post-implementation review (already planned) should help solve practical issues and in particular bring additional guidance on whether arrangements for contingent payments to employees or selling shareholders should be treated as contingent consideration related to the business combination or as separate transactions. However, we hope the IASB will not consider this review as an opportunity for removing the option given in IFRS 3R to measure at the acquisition date non-controlling interests at either: (a) fair value; or (b) the proportionate share in the acquiree’s identifiable net assets;

- IFRS 10, *Consolidated Financial Statements*: even though this standard is not yet mandatorily applicable, we anticipate a lot of questions as to the practical application of the new definition of control in certain situations. IAS 27 was a well-understood standard. We fear that IFRS 10 will give rise to diversity in practice considering the huge importance given to judgement in some situations. We wonder whether the ultimate solution should not be to withdraw this standard since IAS 27 has proven robust through the crisis and the FASB has refused to endorse it;

- IFRS 11, *Joint Arrangements*: IFRS 11 is also not yet mandatorily applicable. However, we also anticipate practical difficulties in applying this standard, especially when it comes to one’s judgement on whether a joint arrangement is a joint operation or a joint venture in cases where the arrangement is structured through a separate vehicle. We are also aware that complying with IFRS 11 while wanting to keep revenue in their statement of profit or loss may lead entities to structure their deals in a way that permits an accounting method that is close to proportionate consolidation. As such deals could be detrimental to the safety of their operations, we think that more impact studies should be envisaged before the mandatory effective date of this standard;

- IFRIC 12, *Service Concession Arrangements*: this interpretation requires judgement to determine whether an arrangement is within its scope or not. We have noted diversity in practice, especially regarding the way preparers analyse the residual interest criteria. We also wonder whether there is a need for developing grantor accounting for service concession arrangements.

- improving the requirements on topics already covered by some standard but whose application gives rise either to a significant number of questions in certain practical situations, or is too complex, or is not consistent with the economic substance of the transaction. For instance, in our opinion the distinction between debt and equity instruments in IAS 32, *Financial Instruments: Presentation*, should take into consideration the economic compulsion of the issuer and could also be improved to eliminate inconsistencies with other standards such as IAS 39. Other examples include standards IAS 21, *The Effects of Changes in Foreign Exchange Rates* and IAS 33, *Earnings per share*.
• the finalisation of the revised Conceptual Framework: we believe having a sound Conceptual Framework will help develop new or revised standards that are of high quality.

The IASB should also dedicate some time to updating the IFRS for SMEs standard and namely consider the modifications brought to or about to be brought to full IFRSs since the standard for SMEs was issued (July 2009).

Should the IASB’s resources enable undertaking new projects or should the IASB choose a different path from the one we propose, we believe priority should be given to the following ones:

• Business combinations between entities under common control: we think this is a topic where there is an important need for users as there currently exists an important diversity in application;

• Equity method of accounting: in our opinion, the accounting method for associates and joint ventures (in accordance with IAS 28) should not include consolidation procedures (such as eliminating the effects of “upstream” and “downstream” transactions) since the investees’ assets and liabilities are not controlled nor recognised separately. Modifications should be brought to the equity method so as to reinforce the relevance of this accounting method;

• Other comprehensive income: when we commented on the several exposure-drafts on revised proposals to IAS 1, we repeatedly expressed the need for a thorough analysis of what is part of other comprehensive income, what is the underlying conceptual basis of comprehensive income (i.e. what is the difference between profit or loss and items of other comprehensive income) and what justifies that certain items of other comprehensive income are reclassified to profit or loss under certain conditions, while other items are never reclassified to profit or loss;

• Disclosures: in our opinion, a new project on this subject should be started in order to find a way to reduce the disclosures provided in the financial statements. We are convinced that the IASB should eliminate disclosures that do not provide useful information to users of financial statements and also disclosures for which the cost incurred by preparers to obtain the information demanded outweighs the benefits. However, we do not believe the right approach is to develop a single IFRS that would provide all the necessary disclosure guidance; we recommend the Board maintaining the current piecemeal approach with the disclosure requirements scattered across standards by topic.
Question 2(b)

Adding new projects to the IASB’s agenda will require the balancing of agenda priorities with the resources available.

Which of the projects previously added to the IASB’s agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB’s agenda but deferred do you think should be reactivated, and why?

Please link your answer to your answer to question 2(a).

Among the projects which were previously added to the IASB’s agenda but which have been deferred since then, we would in particular suggest removing the following projects:

- Financial statement presentation (excluding consideration of other comprehensive income): this project was ambitious, certainly, but it would have led to significant burden for preparers to apply. Besides, revolutionizing the way financial statements are being presented does not seem to answer the stakeholders’ needs;

- Liabilities (amendments to IAS 37): in our comment letter dated 25 April 2010, we expressed our fear that the exposure draft, as supplemented by the working draft, would not result in a better information for the users of financial statements whereas it would impose an additional burden, as well as associated costs, on the preparers. Our main concern was the practical consequences of removing the probability criterion. Thus, we do not believe the IASB should reactivate its work on the liabilities project if this would mean maintaining the draft proposals.

When it comes to the project related to emissions trading schemes, we are of the opinion that guidance is needed on this topic, but that it should not necessarily take the form of a new standard. We believe the IASB should consider the opportunity of re-transmitting the subject to the IFRS Interpretations Committee.