MAZARS

ED/2009/4 Comment Letters
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

30 July 2009

Dear Sir/Madam,

Exposure Draft ED/2009/4: *Prepayments of a Minimum Funding Requirement*

Mazars welcome the opportunity to comment on the Exposure Draft ED/2009/04 "*Prepayments of a Minimum Funding Requirement*".

We agree with the IFRIC that the application of IFRIC 14 could lead to unintended consequences when prepayments are made. However, we do not support the view of IFRIC that accounting for the prepayment as an asset will solve the problem in an appropriate way and lead to more useful financial information.

ED/2009/04.BC5 states that, according to the IFRIC, an entity having done a prepayment is in a more favourable economic position than one that has not, so that an asset should be recognised. Let consider the 3 following entities:

- Entity A as no shortfall in accordance with MFR and is required to pay MFR contribution of CU15 for the 5 following years, with service cost of CU10
- Entity B as no shortfall in accordance with MFR and is required to pay MFR contribution of CU25 for the 5 following years, with service cost of CU10
- Entity C is in the same situation as entity B but with a prepayment at the beginning of the first year of CU30

Year	20X1	20X2	20X3	20X4	20X5	Total
Service charge / CU	10	10	10	10	10	50
Minimum funding requirement contribution / CU Entity A	15	15	15	15	15	75
Minimum funding requirement contribution / CU Entity B	25	25	25	25	25	125
Minimum funding requirement contribution / CU Entity C	0	20	25	25	25	95

61, rue Henri Regnault - 92075 Paris - la Défense Cedex
Tel. : +33 (0)1 49 97 60 00 - Fax : +33 (0)1 49 97 60 01 - www.mazars.fr

Mazars
Société Anonyme d'Expertise Comptable et de Commissariat aux Comptes
Capital de 8 320 000 euros - RCS Nanterre 784 824 153 - Siret 784 824 153 00232 - APE 6920Z
Siège social : 61, rue Henri Regnault - 92400 Courbevoie - TVA intracommunautaire : FR 07 784 824 153

Praxity
Member

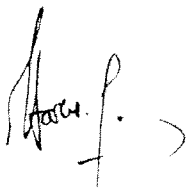
Applying ED/2009/04 would lead to the following:

- Entity A : no asset
- Entity B : no asset
- Entity C : asset of CU30

It is obvious that entity C is in a more favourable economic position than entity B. But entity A's economic position is even more favourable compared to entity C's: despite A did not make any prepayment, the future outflows to cover future service with MFR amount to CU 75 against CU 95 for entity C.
The information provided by the recognition of an asset for entity C is then misleading. The consideration of BC5 is consistent only with identical MFR systems, which is too limitative.

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

Yours sincerely



Michel Barbet-Massin
Head of Financial Reporting Technical Support