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CL 13

Thomas Seidenstein
Director of Operations
IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Le Président

AB/PS/CS

N°472

Dear Mr Seidenstein,

IFRIC—Review of Operations: Consultative Document

On behalf of the Conseil National de la Comptabilité (CNC) I am writing to comment as follows on the IASCF paper *IFRIC—Review of Operations: Consultative Document*. The CNC welcomes IFRIC's decision to review its processes and operations, and supports the decision to consult publicly on the tentative conclusions of the review.

In view of the fact that many of our views are convergent with those expressed by the EFRAG, we have structured our comments accordingly in two parts:

- points of disagreement with the EFRAG
- points of agreement with the EFRAG

Points of disagreement with the EFRAG

1. With respect to D. Involvement of NSS in the interpretation process we believe that there is a need for interpretation that the IFRIC cannot fulfil. IFRSs should remain principle based. It is therefore not the place for IFRIC to develop a whole set of interpretations on the various day to day issues that companies and auditors face. Implementation guidance is currently given by audit firms to their clients and should be co-ordinated at national level by the NSS. The issues to be addressed would not be limited to those specific to the legislation of the jurisdiction but would also encompass subjects not dealt with by the IFRIC, for example issues not considered important by the IFRIC but which are significant locally. A European NSS's tackling those issues would help build the same kind of common knowledge that there is actually in the United States, and that is referred to in the Exposure Draft of the IFRIC process. The issues data base would be useful to enable the development of common solutions which should be adopted whenever possible.

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2. We would stress that the upgrading of the due process of the agenda committee is all the more important as the agenda committee is going to issue its rationale for rejecting proposed issues.

Points of agreement with the EFRAG

- 1 We believe that it is very important that IFRIC agenda decisions are transparent and taken by a group representative of all the financial reporting stakeholders. It would therefore concern us were the agenda committee taking the IFRIC agenda decisions because the committee currently does not meet in public and it is our understanding that the committee's membership is currently not representative of all the stakeholders. However, we have been informed that the effect of the new procedures is that the agenda decisions are now being taken by the IFRIC itself, which meets in public and is a representative group. We recommend that the new procedures and their effect be fully described in the IFRIC Due Process Handbook that we understand is being prepared.
- 2 Paragraph 27 of the IFRIC Preface sets out the criteria that will usually be used to determine whether an issue should be added to IFRIC's agenda.
 - (a) Paragraph (d) states that one of the criteria is that the issue should be unrelated to a Board project that is expected to be completed in the near future. We recognise that the IFRIC's resources are scarce and need to be managed carefully, but if there is an implementation problem arising from an extant standard, that problem does not go away until the standard is replaced. Therefore, in our view criterion (d) should be amended so that it excludes only those issues relating to a Board project that is expected to be completed and implemented before an interpretation could be completed and implemented.
 - (b) If all the IFRS and amendments thereto that the IASB issues had to be applied retrospectively, the amendment we have suggested in (a) above would fully address our concerns about criterion (d). However, a number of IFRS are required to be applied prospectively only to transactions taking place after the effective date. In such cases, if a significant and widely applicable implementation issue arises in respect of the 'old' IFRS, that issue is just as deserving of an interpretation as any other. For that reason we think there should be a further amendment to paragraph 27(d) of the Preface to differentiate between replacement/amendment standards that are to be applied only to new transactions and those that are not.

Both the above concerns could be addressed by amending criterion (d) to as follows:

"(d) Be unrelated to a Board project that is expected to be completed in the near future and the resultant new standard or amendment is expected to be applied to all past transactions (i.e. if a Board project exists that is expected to resolve the issue in a short period, the IFRIC is unlikely to add the issue to its agenda unless it is expected to take longer to complete the project that will resolve the issue than it would take to issue an interpretation)."

- 3 We would strongly advise the IFRIC not to use the language in paragraph 40 ('abusive accounting', 'short-term abuse', etc) in its final report. The vast majority of entities do not set out to abuse and it is unhelpful to frame arguments and other comments in a context that is not relevant to that vast majority.
- 4 We note that the paper does not discuss the length of IFRIC comment periods. This, we understand, will be dealt with separately in an IFRIC Due Process Handbook, which will be issued in draft form for comment. We think IFRIC comment periods should

usually be 60 days. We look forward to having the opportunity to make this comment when the draft Handbook is issued.

5. We note that the IFRIC has concluded that it should in the future avoid taking on complex standards-type projects. We strongly support this conclusion.

Yours sincerely

Antoine BRACCHI