

IFRS Foundation
30 Cannon Street
London
EC4M 6XH
United Kingdom
Strategyreview-comm@ifrs.org

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Status of Trustees' strategy review

Dear Sir/Madam,

Mazars welcomes the opportunity to comment on the four areas for examination (mission governance, process, and financing) highlighted by the Trustees as part of their strategy review of the IFRS Foundation.

Our responses to the specific questions included in the paper for consultation are detailed below.

Mission

Question 1 - *The current Constitution states, "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." Should this objective be subject to revision?*

We agree that the objective of financial reporting is to provide transparent and comparable financial information regarding an entity that is primarily directed to investors, suppliers, banks and other stakeholders since they are the main users of this information.

Nevertheless, in making their economic decisions we believe that such stakeholders do not consider financial reporting only but also take into account the entity's business and the way it manages it. We are thus convinced that a measurement approach relying on the

entity's business model is the best way to provide, from a user's point of view, relevant information on the entity's expected cash flows.

As a consequence, we believe that the overall objective of accounting standards as stated in the Constitution should be revised to require that the financial information given by an entity according to IFRSs should take into account its business model.

Question 2 - *The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. To what extent can and should the two perspectives be reconciled?*

We understand that it is very difficult to reconcile both perspectives (the accounting standards perspective versus the financial stability requirements' perspective) since their objectives are different. Nevertheless, we believe that an institutionalized collaboration of the IASB with official organisations ensuring prudential supervision over regulated financial industries will improve mutual understanding of these two perspectives in order to improve the two sets of rules. Such cooperation would give a better legitimacy to the work of the IASB and the IFRS Foundation.

Governance

Question 3 - *The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). Does this three-tier structure remain appropriate?*

We supported the creation of a Monitoring Group, composed of official institutions or international public organisations. This link has enhanced the public accountability of the IFRS Foundation, the IASB and the IFRS Interpretations Committee and increased the legitimacy given to their work. In particular, thanks to the creation of the Monitoring Board, the process of appointment of Trustees has become more transparent and unbiased. As a consequence, in our view, the current three-tier structure is appropriate in theory.

In practice, we believe that its functioning could be improved. In particular, we feel that Trustees are not totally fulfilling their responsibilities as defined in the Constitution. We understand that the current wording of the Constitution leaves space to interpretation in the way the Trustees may supervise the Board's work. We think that, given the importance taken by the IFRSs as the main set of financial reporting standards, the Trustees should interpret their role in a rather extensive way. In particular, regarding the due process, we believe the Trustees should:

- ensure that the Board considers all the comments sent by the constituents even if some arguments have already been analysed before the issuance of an Exposure-Draft,
- make sure that lack of re-exposure is duly justified,
- ensure impact and post-implementation studies are duly done and the consequences of these studies drawn,
- perform a more detailed review of the IASB agenda in order to avoid any overloaded agenda as experienced in 2010.

Therefore, we strongly support any Trustees' commitment to be more implicated in these functions.

Question 4 - *Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued insufficient public accountability associated with a private-sector Trustee body being the primary governance body. Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities)?*

It is today somewhat difficult to judge whether the Monitoring Board is fulfilling its role. We have indeed little information on debates that may have existed within the Monitoring Board on the IASB/Trustees governance.

A better communication and more transparency from the Monitoring Board would help enhancing public accountability of the IFRS Foundation and above all its legitimacy.

We also consider that having high rank officials attending the Monitoring Group will provide real legitimacy to that body. It will also enable the IFRS Foundation to attract high calibre individuals as Trustees.

Process

Question 5 - *Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?*

The IASB agenda setting process is fundamental since this process implies the setting of accounting projects priorities. Due to the convergence objective, the IASB has adopted in the least years a very heavy workplan. The ambition to finish the convergence between the IFRS and the US GAAP is legitimate and understandable. However, in practice, the timeframe was not suitable and the IASB had to revise its agenda in 2010 in a drastic

manner. Moreover, we believe that convergence should not be the only basis driving the workplan.

Therefore, we recommend the Trustees to perform annually an in depth review of the IASB workplan. They should ensure that the Board has enough resources to conduct these projects and is concentrating on projects that are key to the stakeholders. Such a timetable and workplan review by the trustees, are required to give legitimacy to the IASB and the IFRS Interpretations Committee work.

Question 6 - *Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?*

As the IFRSs are becoming the worldwide accepted set of international accounting standards, comparability of financial statements is fundamental. As a consequence, we encourage the IASB to pay attention to issues related to the implementation and the application of IFRSs in order to ensure that they are applied consistently around the world.

We recommend the IFRS Foundation to modify the functioning of the IFRS interpretations Committee so that it can:

- answer to questions in a more detailed way ; wording for rejections have tended to be very short, without disclosing the explanation and the reasoning that conducted to the published answer (please refer to our answer to the IFRS IC on their operational efficiency);
- perform benchmark analysis to ensure that IFRSs are applied in a consistent manner;
- coordinate in a more institutionalised way with regulators such as the ESMA and National Standard Setters in order to better understand difficulties of application and various identify potential interpretations of IFRSs.

Such modifications of the IFRS Interpretations Committee functioning would be a first step to improve the application of IFRSs in a more consistent manner all around the world.



Financing

Question 7 - *Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?*

The independence principle at the heart of the IFRS Foundation organisation is to produce high quality standard and to prevent the creation of standards from being beholden to national, regional, sectoral or other special interests. Given this principle, we believe that the IASB needs to find a stable, long-term and diversified source of financing.

We therefore agree with the trustees work in progress on the organisation's financing to ensure more automaticity of financing.

Other issues

Question 8 - *Are there any other issues that the Trustees should consider?*

We have not identified such issues as we consider the IFRS Foundation should concentrate on improving the global governance of all the bodies implied in developing the IFRS set of standards.

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

Yours sincerely

Michel Barbet-Massin

Head of Financial Reporting Technical support