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CC: Tamara Oyre, Assistant Corporate Secretary  
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## **Review of the Constitution – Identifying Issues for Part II of the Review**

Dear Mr Zalm,

Mazars welcomes the opportunity to comment on the review of the IASCF constitution. Our responses to the specific questions included in the Exposure Draft are detailed below.

Nevertheless we would like to point out the main following points that we feel should contribute to the strengthening of the whole organisation :

- The organisation should remain independent but must be accountable;
- Working closely with stakeholders is essential, specifically with the FSF and the IOSCO;
- Reducing complexity should be a clear objective of the organisation;
- The IASB work program and agenda should be extensively debated as well as its priorities and should include the involvement of all major stakeholders.

## Objectives of the organisation

**Question 1** - *Does the emphasis on helping “participants in the world’s capital markets and other users make economic decisions”, with consideration of “the special needs of small and medium-sized entities and emerging economies”, remain appropriate?*

The objective of accounting is to provide transparent and comparable financial information of an entity. This information is primarily directed to investors, suppliers, banks and other stakeholders since they are the main users of this information external to the entity. As a consequence, we consider that the emphasis on helping “participants in the world’s capital markets and other users make economic decisions” remains appropriate.

Moreover, the IASB project “IFRS for SMEs” is consistent with the constitution emphasis on addressing the special needs of SME. In 2007, MAZARS has conducted a survey on current practices and expectations of European SMEs after the IASB published a draft standard entitled “IFRS for SMEs”. European SMEs would warmly welcome the adoption of a common accounting framework. Only 4% of the companies surveyed would be against the use of a common accounting framework. But the SMEs see three major drawbacks to adopting a common accounting framework: difficulty in interpreting the standards, increase in accounting costs and increased need for skilled personnel. Therefore, the IASCF is right to address the special needs of SMEs and take into account their specific constraints. Nevertheless, since the project “IFRS for SME’s” is now called “IFRS for Non-publicly Accountable Entities”, we believe that the constitution should be written as follows : “the objectives of the IAS Foundation are: “[...] (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, **the special needs of non-publicly accountable entities** and emerging economies;”

Moreover, we believe that, in practice, considering its workload, this objective should not be a priority of the IASCF, since the accounting standards developed by the IASB for public entities are still changing very fast.

**Question 2** - *Should the Constitution make specific reference to the emphasis on a principle-based approach ?*

We believe that a rule-based approach would lead to complex rules that would not be able to deal with every economic situation. It would allow some entities to structure some of their operations in order to circumvent the aforementioned accounting rules.

On the opposite, a principle-based approach can apply in every situation, each preparer using its professional judgment in applying the accounting standard.

We therefore strongly support the choice of the IASB to build accounting standards referring to a principle-based approach. We actually consider this choice as fundamental, which justifies the reference made in the Constitution.

**Question 3** - *During the previous review of the Constitution some commentators recommended that the IASB should develop financial reporting standards for not-for-profit entities and the public sector. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.*

In the long term, we believe that the accounting framework developed by the IASB aims at being used by every entities, including not-for-profit entities and entities acting in the public sector. Nevertheless, given the current workload of the IASB, we consider that this objective is not feasible in the near future.

We therefore believe that the IASB should not extend its remit on this matter.

We recommend the IASB to reconsider this matter in the next constitution review, when there will exist a stable accounting standards platform.

**Question 4** - *Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?*

Since the IFRSs are becoming the worldwide accepted set of international accounting standards, enhancing public accountability is fundamental and has been improved by the creation of a Monitoring Board. Given this objective, we support a closer collaboration with a wider range of organisations. We especially believe that an institutionalized collaboration of the IASB with the National Standard Setters (including EFRAG in the European Union) and official organisations ensuring prudential supervision over regulated financial industries is needed.

We also feel the IASB should have a strong collaboration with the IFAC IPSASB both at Board and staff level.

These links will enhance the credibility of the IASCF, the IASB and the IFRIC and give a better legitimacy to their work.

### **IASB's composition**

**Question 5** - *The Trustees would welcome views on whether the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Board and its proposed role.*

We have noted that a description of the responsibilities of the Monitoring Board has been included in the 1 February 2009 version of the Constitution.

Due to the creation of the Monitoring Board, we believe there is a need of a better specification of the interactions between the Monitoring Board and the Trustees.

We understand that a Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing their interactions. Since this document will be fundamental regarding the IASB governance, we recommend this document to be disclosed for public comment.

## Trustees

**Question 6** - *The Trustees are appointed according to a largely fixed geographical distribution. Is such a fixed distribution appropriate, or does the current distribution need review ?*

We agree with the Constitution rules to ensure the geographical diversity of the Trustees, even if we would have preferred a more flexible rule enabling the Monitoring Board to choose high calibre individuals with a strong experience in financial and accounting matters. This objective could for instance be achieved by defining ranges rather than fixed numbers for each geographic allocation. We also consider that the composition of the Trustees should give priority to members coming from regions or countries that already apply IFRSs.

**Question 7** - *Sections 13 and 15 set out the responsibilities of the Trustees. The intention of these provisions is to protect the independence of the standard-setting process while ensuring sufficient due process and consultation; the fundamental operating principle of the organisation. In addition to these constitutional provisions, the Trustees have taken steps to enhance their oversight function over the IASB and other IASC Foundation activities. The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.*

The constitution set out the responsibilities of the trustees. In particular, the trustees have the following functions:

- “[...] review annually the strategy of the IASC Foundation and the IASB and its effectiveness, including consideration, but not determination of the IASB’s Agenda [...]
- review compliance with the operating procedures, consultative arrangements and due process [...]”

(section 15 of the Constitution)

In view of the changing world we feel the way the Trustees are fulfilling this role should evolve. In particular the Board’s agenda should be more publicly debated taking into account the views of all the stakeholders.

**Question 8** - *The Trustees would welcome comments on the progress and the future of the organisation’s financing.*

The independence principle at the heart of the IASCF 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. Such a sustainable financing will permit the IASCF to concentrate on long term projects in the field of financial reporting.

We therefore agree with the trustees work in progress on the organisation's financing.

## International Accounting Standards Board

**Question 9** - *The Trustees would welcome views on the IASB's agenda-setting process and would appreciate it if, in setting out views, respondents would discuss any potential impact on the IASB's independence.*

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 a very loaded work plan. The ambition to complete the convergence between the IFRS and the US GAAP is legitimate and understandable. Nevertheless, in practice, the IASB will publish almost 40 texts between now and 2011, which is an average of almost one a month. We believe that this timeframe is not suitable. Moreover, convergence should not be the only basis driving the work plan.

We also feel that the current economic context should constitute a driver for the IASB to reconsider its priorities. Thus it could be the right time to launch a public consultation on the Board's agenda.

Therefore, we recommend the Trustees to perform annually an in-depth review of the IASB work plan. They should ensure that the Board has enough resources to conduct these projects and there are not spreading itself to thinly.

Moreover, we consider that this review should go with a public consultation. Indeed, stakeholders should be able to comment on the priorities retained by the IASB and their adequacy to their needs and expectations.

Timetable and work plan review by the Trustees and an annually public consultation on these subjects are required to give legitimacy to the IASB and the IFRIC work.

We also wish to suggest that the IASCF and the IASB put into place a process that permits rapid deviations from the normal agenda when rendered necessary by urgencies (see our answer to question 11).

**Question 10** - *The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the IASB Due Process Handbook. If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the IASB Due Process Handbook*

The projects the board are working on are often complex (reducing complexity of financial instruments, consolidation, income taxes, derecognition...) and need time to be analysed. Therefore, except in the case of "fast track" procedures, we believe that deadlines for public comment should be extended in order to give all stakeholders the opportunity to comment after an extensive debate.

Moreover, constituents have often the feeling that their comments are not taken into account. This was particularly the case with the revision of IFRS 3 and IAS 27 or IAS 23. As a consequence, we believe that the trustees, under their responsibilities to oversee the IASB, should ensure that main constituents' comments are taken into account by the Board. If not, this should be better justified. The fact that comments are raised by a substantial majority of major categories of commentators expressing serious concerns, in itself, should oblige the Board to discuss these concerns once again and to reconsider their analysis in order to determine whether all practical implications have been appropriately dealt with. The trustees should make certain that lack of re-exposure is justified.

We also support recent enhancement in the IASB's due process such as post-implementation reviews or feedback statements. We also recommend the IASB to perform field test for each project.

**Question 11** - *Should a separate "fast track" procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a "fast track" procedure?*

In September 2008, the amendment to IAS 39 and IFRS 7 relating to the reclassification of financial assets has not respected the due process. Indeed, given the requests to address this issue urgently in the light of market conditions, the Board decided to proceed directly to issuing the amendments with a very short comment period.

We believe this procedure was justified by the urgency of the financial crisis. Nevertheless, we support the creation of a fast track procedure in order to better control standards published without respecting the due process in case of great urgency. An institutionalized "fast track" procedure should include appropriate minimum due process including a minimum consultation period. Such a procedure should include circumstances surrounding its application to avoid excessive or inappropriate use.

## Standards Advisory Council

**Question 12** - *Are the current procedures and composition, in terms of numbers and professional backgrounds, of the Standards Advisory Council (SAC) satisfactory? Is the SAC able to accomplish its objectives as defined in Section 38?*

**Question 13** - *Attached to this discussion document are the terms of reference for the SAC, which describe the procedures in greater detail. Are there elements of the terms of reference that should be changed?*

The Trustees have appointed in February members of the reconstituted SAC. The Trustees have restructured the membership so that the SAC is constituted of individuals from representative organisations that have an interest in standard setting and represent relevant constituents. We support the re-constitution of the SAC since we expect this committee will enhance the credibility of the IASCF, the IASB and the IFRIC and give legitimacy to their work.

Since the reconstituted SAC has only met once, we think it is too early at present to assess the efficiency of this committee. We feel the trustees should monitor the performance of the SAC in the near future to ensure it has fulfilled its intended role following its reorganisation.

## Other issues

**Question 14** - *Should the Trustees consider any other issues as part of this stage of their review of the Constitution?*

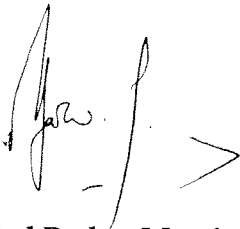
In January 2009, the Trustees, responding to many public requests, agreed that the IASB's standards, but not the accompanying documents, should become available free of charge through the IASB's website.

We believe that this decision is an improvement of the IASB transparency and is a response on the questions of public accountability. Nevertheless, we recommend the IASCF to make available free of charge the accompanying documents of the IASB's standards, such as the basis for conclusions or implementation guidance.

We believe that this decision would improve the dissemination of and access to IFRS, which is the ultimate objective of the IASCF.

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**

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