

Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Weinheim, 30 March 2009

Dear Tamara,

RE: REVIEW OF THE CONSTITUTION – PART 2

We appreciate the opportunity to comment on the proposals of the Trustees for the second part of the IASC Foundation Constitution Review.

The Association for the Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents the vast majority of family-owned small and medium-sized entities in Germany, often legally organized in the form of partnerships. German family businesses do hold an increasingly important stake in international accounting. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international accounting more visible and to act as a constructive partner for the standard setters. We work closely with the German standard setters GASC and IDW as well as further political institutions.

Our major issues regarding the second part of the IASC Foundation Constitution Review are:

- effective monitoring and enforcement of the appropriate application of the principle-based approach,
- profound analysis and evaluation of current IASB standards/projects and comprehensive academic research on fundamentals of accounting and financial reporting,
- authorisation of the Trustees to withhold their approval to the IASB's agenda and hence to restrain the IASB's full discretion in agenda setting,

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- implementation of an advisory board consisting of representatives of family-owned non-publicly listed entities to support the standard-setting bodies in identifying and considering the needs of those entities, and
- extension of the comment periods for the IASB's future discussion papers (DP) and exposure drafts (ED).

Regarding the recent conclusion of phase one of the Constitution Review we would like to note that the IASCF did not yet provide summarized information about the structure and contents of the comments received. Communicating general trends and additional issues in the comment letters received would severely enhance the transparency of the decision making process.

Please refer to the appendix to this letter for our detailed comments on the topics addressed in the IASCF document.

Kind regards,

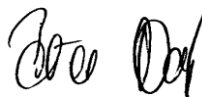
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Frank Reuther



Dr. Dieter Truxius



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Appendix:

Comments regarding the objectives of the organisation

Appropriateness of the objectives:

Par. 1 of the document points to the primary objective of the IASCF to develop “a single set of high quality, understandable and enforceable global accounting standards” and in doing so to “take account of [...] the special needs of small and medium-sized entities” (par. 2 (a) and (c) of the IASCF Constitution). We totally agree with that objective. As our association represents a large number of small and medium-sized entities in Germany, most of them not publicly listed, we would like to point out that the vast majority of our members does not agree with the development of an “IFRS for Non Publicly Accountable Entities” (NPAEs) as this would be contradictory to the Constitution (a single set of standards). In our view the perceived need for separate IFRS for NPAEs stems from the inappropriateness of the full IFRSs for entities other than public companies. We would rather prefer full IFRSs taking account of issues regarding non-publicly accountable entities or, if necessary, implementing special reliefs depending on e. g. the size of the entity or the exposure of the entity to capital markets. However, it is our point of view that the IASB has to provide one set of standards consistently applicable for all entities regardless of their legal form, industry or country of origin.

Principle-based approach:

One of our major concerns regarding today’s standard setting practice is that the IASB might continue to integrate more and more casuistic exceptions from the underlying principles in existing and future standards (cf. IAS 32) and focus on approaches that are not feasible or applicable for most non-publicly listed entities. We believe that high quality financial reporting standards require a principle-based approach to standard setting which leads to a clear and concise underlying concept for all entities regardless of their legal form, industry or country of origin. With this in mind, the application of the principle-based approach has to be monitored and enforced more efficiently. Therefore, an appropriate monitoring and enforcement of the principle-based approach requires an in-depth analysis and evaluation of the current standards and the IASB’s actual projects as a starting point for further deliberations. To get profound results the analysis has to be supplemented with comprehensive and sophisticated academic research on the fundamentals of accounting and financial reporting.

Non-publicly listed entities:

At present, the standard setting of the IASB seems to focus almost exclusively on a single type of entity: the public company, with its legal form comparable in its features over most jurisdictions. As financial reporting standards around the world converge and the importance of IFRSs is rising steadily, the special features and requirements of family-owned non-publicly listed entities have to be considered when developing rules for financial reporting which means both full IFRSs and a possible IFRS for NPAEs. As already mentioned, we do not agree with the development of an IFRS for NPAEs. However, the IASCF should implement an advisory board, modelled on the Private Company Financial Reporting Committee in the US and consisting of representatives of family-owned non-publicly listed entities worldwide, to support the standard-setting bodies in identifying and considering the needs of such entities and to enhance standard setting with regard to both full IFRSs and a possible IFRS for NPAEs.

Collaboration with other accounting standard-setting bodies:

Although we see the need of cooperation between the IASB and other standard-setting bodies we doubt that amending the Constitution to provide further collaboration would lead to an enhancement in the standard-setting process. A constitutional obligation to coordinate the IASB's activities with those of further organisations would rather be likely to lead to considerable delays in the IASB's scheduling. However, we welcome the close relationship the IASB is maintaining with other standard setters such as the GASC.

Comments regarding the objectives of the organisation

From our point of view there is no need to modify the wording of par. 3 of the Constitution as it provides the flexibility to cover the creation of the Monitoring Group. As already stated in our comments on the first part of the Constitution Review, we welcome the creation of a link to a Monitoring Group observing the activities and providing a balanced composition of the Trustees. However, we are concerned about the structure of the group as the vast majority of its proposed members have a strong securities exchange background. To provide an understanding for the needs of non-publicly listed entities in the standard-setting periphery we would recommend the appointment of at least one member of an international organisation with a family shareholder background, e. g. the Private Company Financial Reporting Committee.

Comments regarding the composition of the Trustees

We do not think that only geographical criteria should be applied in the composition of the Trustees. Besides the geographical criterion we would recommend to include a structural/professional criterion to ensure the appointment of an appropriate portion of Trustees with a non-publicly listed entity background as those entities hold an increasingly important stake in international accounting.

Comments regarding the work of the IASB

Agenda-setting process:

We acknowledge the Trustees having reaffirmed the IASB's full discretion in agenda issues for independence reasons up to now. Nevertheless, par. 2 of the constitution determines the development of a single set of high quality, understandable and enforceable global accounting standards as one of the primary objectives of financial reporting. We believe that high quality financial reporting standards require a principle-based approach to standard setting which leads to a clear and concise underlying concept for all entities regardless of their legal form, industry or country of origin. To achieve the above-mentioned objective and to ensure an appropriate monitoring and enforcement of the principle-based approach the Trustees should be enabled to withhold their approval to the IASB's agenda and hence restrain the Board's full discretion in developing and pursuing its technical agenda. Such a veto right of the Trustees regarding agenda issues would on the one hand not overly restrain the independence of the standard-setting process and on the other hand empower the Trustees to enforce the objectives determined in the Constitution.

Due process:

Although we welcome the idea of the IASB's due process and its constant enhancement, we have the sense that the analysis of the comments received seems to be rather subjective and often does not respond to or discuss dissenting opinions in an appropriate way. Furthermore, it seems that the IASB often does not consider the unanimous understanding of the vast majority of the respondents regarding certain issues, especially if deviating. In most instances, the Board does not provide an appropriate rationale for such a disregard, even less a profound analysis or academic research on the subject. Therefore, we see the need for a more independent and transparent due process which means that the execution of the due process and the evaluation and analysis of the comment letters should be monitored by an independent party within the organisation, e. g. some kind of quality management committee

staffed with members of the Standards Advisory Council (SAC), the Trustees or a similar body.

Eventually, we would appreciate the extension of the comment periods for the IASB's future DPs/EDs due to the vast number of DPs/EDs issued recently and the excessive consultation processes required as well as the operational work to be done in parallel by most of the constituents, especially in the busy season from January to May.

Comments regarding the Standards Advisory Council (SAC)

We understand the composition of the SAC focusing on diverse geographical and functional backgrounds. Nevertheless, it is our point of view that the representation of non-publicly accountable entities within the SAC should be enhanced.

As already stated above, we would also recommend extending the objective of the SAC or the Trustees. To ensure the independence and the quality of the due process – especially the evaluation and analysis of the comment letters – the SAC, the Trustees or a similar body should be required to form some kind of quality management committee to monitor the process regularly and to provide the public with transparent and reasonable information.