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PARIS, 26th OCTOBER 2005

Patrina Buchanan

Project Manager

**INTERNATIONAL ACCOUNTING STANDARD
BOARD**

30 Cannon Street

LONDON EC4M 6XH

Re: IASB Draft Technical Correction 1

Dear Patrina,

I am writing on behalf of the CNC to comment on the above-mentioned draft.

Our answers to questions 1 and 2 are set out in the Appendix.

In our view, the main issue at stake is the validity of the Technical Correction Policy and not the proposed correction to IAS 21 included in DTC1.

I refer you to our comment letter number 551 of the 28th September 2005 on the Draft Technical Correction Policy, which expresses strong reservations about the definition of “technical corrections” proposed in the policy.

As stated in our comment letter, this definition is unclear and we are unsure how the Board would differentiate the two types of “technical corrections” proposed in the draft policy from amendments or interpretations for which a full due process is required.

Until this distinction is clarified there is a risk that piecemeal changes to standards could occur via the “Technical Corrections Policy” without going through the existing due process.

We disagree with TC1 on the grounds that the Board has not developed a clear rationale for applying a shorter due process and we are therefore unable to validate TC1 as a “Technical correction”.

Kind Regards

A.Bracchi

APPENDIX

DRAFT TECHNICAL CORRECTION 1

Q1

Do you agree with the proposals in this draft Technical Correction? If not, why not? What changes do you propose?

As stated in our comment letter of the 28/9/05 with respect to the Draft Technical Correction Policy, we are unsure as to what the Board means by a “Technical correction”. We are therefore unable to say whether the correction proposed in TC1 is consistent with that policy.

In addition, the Draft Policy proposes two possible types of “Technical correction ” and no indication is given as to which category TC1 comes under.

It is not possible to determine what the original intentions of the Board were in drafting IAS 21 and therefore to determine the nature of the proposed correction.

It is not clear why the Board explicitly prescribed a different treatment for monetary items forming part of the reporting entity’s net investment according to whether those items were denominated in the functional currency of one of the group entities or another currency .The proposed correction establishes the same treatment irrespective of the currency, which appears a more consistent approach based on the substance of the transaction.

However, we disagree with TC1 on the grounds that the Board has not developed a clear rationale for applying a shorter due process .We are therefore unable to validate TC1 as a “technical correction”.

Q2

Do you have any other comments on the proposals?

We recommend that the Board, if at all possible, defines clearly the distinction between a “Technical Correction” and an amendment or an interpretation, in such a way as to establish clearly the justification for shortening the due process. This distinction should be illustrated by examples.

We are concerned that standards could be changed on a piecemeal basis via the “Technical Corrections Policy” without going through the full due process.

We further recommend the Board consider the practical difficulties of tracking potentially numerous “Technical Corrections” with varying status in respect of EU legislation in addition to existing standards.

