



LE DIRECTEUR GÉNÉRAL

Sir David Tweedie
International Accounting Standards Board
30 Cannon St
London EC4M 6XH
United Kingdom

13 February 2002

Re: Exposure Draft on Proposed Preface to International Financial Reporting Standards

Dear Sir Tweedie,

We are pleased to provide our comments on the above exposure draft which reflect joint deliberation between ourselves and [BNP-Paribas / Société Générale]. We will firstly address the specific questions that were raised in the invitation to comment and then provide some other more specific comments.

Question 1

The Board states in paragraph 9 of the proposed Preface that IFRS are designed to apply to the general purpose financial statements of all profit-oriented entities, as defined. The Board also says that although IFRS are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate. It notes that the Public Sector Committee of the International Federation of Accountants (PSC) is preparing accounting standards for governments and other public sector entities, other than government business enterprises, based on IFRS. Is the Board's proposed scope clearly defined and appropriate?

We agree with the proposed scope.

Question 2

The Standards issued by the IASC include paragraphs in bold italic type and paragraphs in plain type. The Board is concerned that some constituents may have interpreted the bold italic paragraphs as having more authority, although IASC commentary has suggested otherwise. Paragraph 14 of this proposed Preface states that paragraphs in bold italic type and plain type have equal authority and sets out the Board's intention to discontinue the use of different type styles. The Board intends to provide, in IFRS, robust and useful guidance to illustrate the basic principles in each Standard, including a detailed Basis for Conclusion. Do you agree with these proposals? Why or why not?

Although not a significant issue, we would prefer to keep the current bold italic type and plain type paragraph styles.

Question 3

In paragraph 19 and 20 of this proposed Preface, the Board sets out the due process normally expected to be followed in issuing Standards and Interpretations. Are the Board's proposals appropriate? Are any proposed steps unnecessary? Are there additional steps that should be incorporated?

We agree with the proposed due process expected to be followed in issuing Standards and Interpretations. However, we note that the Preface would allow certain of the steps to be omitted. We believe it is appropriate that if a step is omitted, that the Preface requires the Board to provide an explanation why it has done so. To ensure that there is consistent and unbiased application of this principle, detailed criteria should also be included in the Preface to determine in which cases some steps might be omitted.

In addition, with respect to the period given for public comment on IASB documents and proposals, we would appreciate that the Preface states that a reasonable time period will always be provided.

Question 4

Are there any other matters that should be addressed in the Preface to IFRS?

We believe the Preface addresses all appropriate matters. However, please refer to the following comments that provide additional input on certain paragraphs.

Paragraph 2 - Although the IASB Constitution currently requires the Standing Interpretations Committee (proposed new name IFRIC) to report to the Board and obtain Board approval for its final Interpretations as has been reflected in the proposed Preface, we question this process. We believe that IFRIC should be an independent body from the IASB, otherwise the Board will control all decision making. As this will require a change to the Constitution, we will also make similar comments to the IASC Foundation in our letter on the proposed changes to the Constitution.

Paragraph 6(a) - We would like the definition of 'other users' to be clarified further. Currently the term is not defined, but given the examples provided in paragraph 10 it appears to be focussed more on participants in the capital markets. We believe that some proposals previously issued by the IASC would not have met the information needs of management to make economic decisions. In addition to other users identified, we believe management is a key user group and should be considered in the development of accounting standards. While in the past, efforts have been made to reflect in financial statements the substance of transactions and how management conducts its business, we are concerned about certain trends where financial statements may not reflect these goals and that the gap between the information produced by financial statements and internally used management reports will widen (take for example the JWG proposals on accounting for financial instruments and similar items). The IASB should clearly state in the Preface that financial statements should also be useful to management in making economic decisions. In clarifying that financial statements are useful for management and external users, the notion that financial statements should present a true and fair view will be reinforced.

Paragraph 7 - We believe it is necessary that further clarification be given to the term 'other financial reporting'. For example, to what extent would this cover management discussion and analysis, meetings with analysts, format of press releases... etc. ? We believe this term should not be all encompassing, but should relate more to information directly related to financial statements, not reporting as the bigger picture.

In addition, for whom should 'efficient economic decisions' be made, from the point of view of shareholders or enterprises? In some instances, if this point is not clarified, there may be a conflict of views between the two parties. In such cases, it will be important for a Standard to clarify to which view preference has been given.

Paragraph 10 - In conjunction with the comments stated above on paragraph 6(a), we believe that the priority the IASB gives to different user groups should be clarified, and the criteria for prioritisation of their various and sometimes conflicting needs be specified.

Paragraph 13 - The requirement for like transactions and events to be accounted for and reported in a like way does not take into account differences between certain industries. Although in general we agree with the principle, we believe differences may exist between certain industries due to the intent under which certain transactions are entered into. Requiring apparently "like transactions" to be treated in a like manner may result in accounting principles which are not compatible with how management conducts its business in all circumstances. Some transactions may look like the same but may be entered into for different purposes and accounting principles should take consideration of those different purposes.

Paragraph 18 - We believe that in order for this application principle to be applied consistently, the term 'immaterial items' needs to be defined.

Paragraph 22 - We disagree with the notion that prior transactions may need to be renegotiated where new or revised accounting requirements are introduced. To ensure preparers and users are not hindered in negotiations by the possibility that future new or revised accounting standards may change the current accounting treatment, we strongly believe that transactions undertaken within a certain accounting context should not need to be restated upon a change in accounting requirements. In addition, such restatement or renegotiations would be costly and potentially difficult to perform.

However, if the requirement was kept, we believe that the Board should consider such implications when they develop reasonable transitional provisions (nature and timing) and also ensure that a reasonable time period is always provided in which to respond to IASB proposals.

If you have any queries regarding our comments, please do not hesitate to contact Véronique de La Bachelerie (Group Director Accounting) at 33 1 42 14 49 86.

Yours faithfully,



Philippe CITERNE