



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



Association Française des Entreprises Privées

IASB  
30 Cannon Street  
London EC4M 6XH  
UK

Paris, May 2, 2011

## **Re: Current IASB Major Projects**

Dear Sir David,

We are writing to express our concerns about the IASB's current work programme, and in particular on its major projects *Revenue Recognition* and *Leases* intended until recently to be completed by the end of June 2011. In common with the major companies of the European Union, our members have been users of IFRSs for more than five years and are concerned about the magnitude of the changes which are being made without the guarantee of a significant improvement in the informational quality of the resulting standards.

### ***Entirely new revenue and lease standards are not necessary for IFRS***

We would like to reiterate the point made in our responses to the Exposure Drafts (EDs) for both the Revenue Recognition project and the Leases project: we do not think that the current standards (IASs 11, 17 and 18) are deficient to the extent that they require to be completely redeveloped. In our view, all of these current standards are fit for their purpose and require only comparatively few amendments to rectify some of the weaknesses which some have perceived in them. In contrast, the changes proposed in the Revenue and Leasing EDs represent an unknown quantity. Very few of our members or other preparers and users we have spoken to have a clear idea of what the impact of the proposals in the ED and subsequent decisions will be on their financial statements, but it is clear that a great deal of work will have to be undertaken by preparers and users alike to interpret and implement the proposals.

This potentially costly burden can be justified only if the resulting accounting information represents a significant step-change in quality. While this may be the case for current users of US GAAP it is far from clear to us that it will be the case for current IFRS users.

### ***Re-exposure of the proposed revenue and lease is essential***

That said, we commend the IASB for having listened to the reservations and suggestions of its constituents, and for having modified several aspects of the EDs in the light of these comments. We also congratulate the Board for the great effort that has been made to discuss the detail of the tentative decisions and the possible alternatives in numerous “targeted outreach” sessions. However, having followed the redeliberations of the Boards on these two projects, we are firmly of the view that the modifications tentatively decided upon represent significant changes from the EDs’ proposals and that the consistency between some aspects of the two proposed standards needs to be assured.

Whilst we recognise that the outreach process will have helped clarify and resolve a number of matters, by its very nature this activity can be only biased (because it involves those who have the most at stake) and not transparent (because the complete proceedings are not on public record), and as such this activity cannot replace the thorough examination that proposals receive through the exposure process.

We therefore think that the two proposed standards can now be judged properly only by a review of the complete text of each document individually and against the other standard, for internal and “cross-cutting” consistency. In our view, simultaneous re-exposure of both future standards is essential for quality assurance.

### ***The aim is standards of high quality, with no undue regard for the timetable***

Given the satisfactory level of quality which is present in the current Revenue and Lease standards, it would be very damaging both to the reputation of IFRS and to the interests of current users if the proposed standards were to be perceived as anything less than significantly better than the current standards. Following the announcements made recently by the chairmen of the two Boards, we welcome the two chairmen’s affirmation that “the quality of the standards remains of the utmost importance”. We agree with this, and therefore, in the interests of the production of standards of high quality, we would encourage the IASB to take all the time necessary to ensure that the resulting standards are of high quality, and not to risk compromising this by trying to achieve an unrealistic and ultimately unnecessary deadline.

In view of the evolving debate between Board members, including what we believe are some fundamental issues of principle, and the extensive consultation effort being undertaken, we ask the Boards to keep in mind that the announced deadlines (while more reasonable than those fixed previously) must remain targets and not imperatives.

***We will continue to participate in the debate to develop these standards***

As stated above, we appreciate the work the Board has carried out and the improvements made since the end of the commentary period on the EDs.


Some of our members have participated in outreach sessions on both the revenue and lease projects and are very willing to continue to do so in the future. We will of course respond to any invitation to comment on the future proposals, and will help in any way we can in order to assist the Board to achieve the shared goal of a set of standards of high quality.

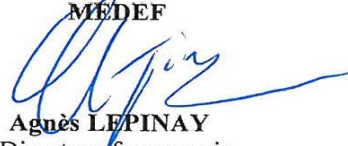
As will be clear from the above, we urge the IASB to take the time and all the steps necessary to ensure that the resultant standards are of high quality and represent a significant improvement over the current literature.

Please do not hesitate to contact us if you require any further explanation or comment on this topic.

Yours sincerely,

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