

12 February 2002

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

Dear Sir,

**MAZARS IAS TASKFORCE RESPONSE ON THE EXPOSURE DRAFT OF A
PROPOSED "PREFACE TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS"**

The Mazars Group has offices in 51 countries world-wide. European members of the Mazars Group have formed an IAS taskforce which regularly meets to discuss technical issues as a group. The European members' taskforce, which currently includes representatives from Mazars offices in France, the United Kingdom, the Netherlands, Belgium and Italy, have recently considered the Exposure Draft of the proposed "Preface to International Financial Reporting Standards" and wishes to make the following unified response on behalf of Mazars offices in the countries listed above.

Scope and Authority

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 the 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 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?

Mazars IAS Taskforce agrees that IFRSs should apply to general purpose financial statements for profit oriented entities. However, we believe that the scope paragraph needs to be made clearer and also needs to be consistent with the objectives of the IASB.

The key issue that the Mazars Taskforce considers needs to be included in the scope paragraph is reference to producing general purpose financial statements that are intended to give a “true and fair” view. The Mazars IAS Taskforce considers this to be a critical criteria when dealing with accounts that are produced using principle based standards. In addition by referring to true and fair accounts it also clarifies the position for profit-oriented bodies (e.g. Partnerships) which are under no obligation to prepare financial statements to the level of detail required by IFRSs.

The Taskforce notes that at present paragraph 6, stating the objectives of the IASB, is wider in scope than paragraph 9, as paragraph 6 refers to “public interest” whilst paragraph 9 refers to all profit-oriented entities. In our view we believe that it is appropriate to refer to profit oriented entities and in situations where an IFRS does apply to other sectors (e.g. Not-for-profit) then this should be addressed through other forms of guidance. (e.g. SORPs) and not by adding to the IFRS itself. In addition we believe that the term “profit-oriented entities” needs to be defined, in order to know whether the term includes entities such as co-operatives, mutual funds for example.

The Mazars IAS Taskforce notes that the Objectives of the IASB refers to “participants in the various capital markets of the world”. Whilst we acknowledge that the development of “Big GAAP” is of considerable importance, the Mazars IAS Taskforce believes that the Preface should also consider the needs of smaller and medium sized entities for whom the full weight of an IFRS may not be appropriate.

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?

Mazars IAS Taskforce believes that it is helpful to users of IFRSs to distinguish between paragraphs that state principles and paragraphs that explain those principles. To meet this need the Mazars IAS Taskforce believes that the current IAS style of using bold italic type to indicate the main principles and plain type for explaining the principles should be retained. The Preface should however stress that both bold and italic type have the same authority to prevent any confusion and this should also be stated at the beginning of every standard.

In addition since the group strongly believe that IFRSs should be principle based as opposed to a list of detailed rules, the current format also ensures that this approach is adhered to when drafting new standards.

Due Process

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?**

The Mazars IAS Taskforce believes that the due process that is normally expected to be followed in issuing IFRSs and Interpretations is appropriate. The Taskforce believes that the IASB should clearly set out in the Preface a minimum period (at least 90 days) for public comment on any discussion document or Exposure Draft that it publishes.

The Mazars IAS Taskforce also believe it may be useful if the Preface indicated that if in exceptional circumstances all the steps of due process were not followed then it would be necessary to justify the reason.

General

Question 4.

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

The Mazars IAS Taskforce wishes to highlight the following additional matters:

- The Mazars IAS Taskforce strongly believes that the Preface should refer to the need for financial statements to show a “true and fair view”.
- The Mazars IAS taskforce notes that paragraph 5 of the Preface sets out the intention to cross refer to existing IASs (See paras 11 and 16). As a preface to IFRS we consider that it is not appropriate to refer to existing IASs. Hence, all relevant information contained in other standards that the Preface needs to contain, should be repeated in full.
- The Mazars IAS taskforce has discussed the use of language in any approved text that is issued by the IASB and consider that only approved translations in other languages, and not licensed translations are acceptable in order to ensure appropriate interpretations are made of the contents.
- Finally, we wish to note that we consider the change from IAS to IFRS is not considered necessary, and it will be confusing when entities come to refer to the standards that they comply with. In addition since some of the existing IASs will remain unchanged and are well known they should not be regarded as not having equal status with or the quality of IFRSs.

If there are any matters arising from this letter that you would like to discuss, please do not hesitate to contact Steven Brice (020 7220 3231).

Yours faithfully,



Kim Hurst on behalf of Mazars' IAS Taskforce

cc Accounting Standards Board (ASB)