



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



## A F E P

### Association Française des Entreprises Privées

EFRAG  
35 Square de Meeûs  
B-1000 Brussels

Paris, October 26, 2010

Re: *Consultation on Proactive Work*

We are very pleased to provide comments on EFRAG's consultation about its Proactive Work, as we believe it is a very useful and important tool provided to European constituents which can facilitate their contribution to the evolution of IFRS.

#### Question 1

***Prior to this consultation were you aware of EFRAG's Proactive Accounting in Europe - (PAAinE) publications? Did you find them useful and why or why not? In what ways do you think they could have been improved? Do you think they had a sufficient focus on European issues?***

We are fully aware of PAAinE publications. We have always followed them with a lot of interest and attempted to provide useful input to each of these consultations as we believe that this is one of the most effective ways to construct a robust European reflexion capable of influencing the IASB's work. In fact, although ACTEO has a policy of responding to all due process documents published by the IASB, we think that a concerted European proactive reflexion may be more likely to influence the development of global financial reporting standards than individual answers from each constituent.

We believe that proactive work should be driven by two fundamental objectives:

- The first is to stimulate and promote a European debate on what should constitute high quality standards for financial reporting, for all IFRS preparers (European or others), with the aim of being fully integrated in an international process.

Proactive work is a good opportunity to stimulate a European debate and reach common ground on a work programme, working orientations, topics before they are taken up by the IASB. The latter's imposed deadlines and preformed conclusions seem to us to leave little time or room for constructive analysis.

Furthermore, a lot of fundamental issues have still not been addressed by the IASB and there is a real need to fill these gaps (e.g. the concept of Performance, how to best take into account companies business model and a long term vision, how to avoid excessive volatility)

To be highly effective and to be a real task force for accounting proposals, EFRAG should be able to provide not only high-level conceptual analysis but also concrete and practical proposals, to the IASB, drawing on the experience of practitioners. These proposals ought to represent a strong consensus between all European constituents, whether they are companies or users. It sometimes appears to us that the IASB divides its constituents by opposing preparers and users, the latter all too often represented by voices from over the Atlantic. Not least, it is important that there is little no room for carve-out as we do not think it is helpful for major European companies to be isolated in a specific European GAAP and all that entails for European Foreign Private Issuers (US filers), amongst others. In our view, EFRAG should undertake all actions necessary upstream to influence the Board before the publication of a work programme, working orientation and finally a standard.

Once a standard is published, proactive work should focus on post-implementation reviews and effect studies in order to ensure that European stakeholders receive the best possible information and that standard, once applied, provide the expected outcome with no major application issues or divergent interpretation.

- The second objective is to ensure that specific European interests and issues are properly reflected in IFRS. This second objective should not be understood as an attempt to create a European standard setter, but rather a way to ensure that IFRS standards provide a relevant outcome for all our specific business and regulatory models.

This second objective is especially important in a context of convergence with USGAAP at a time when the IASB could be influenced by all the existing specific literature in USGAAP and may not give enough consideration to specific European issues. This issue is perfectly illustrated by recent developments in such areas as income taxes, equity instruments and share-based payment transactions.

Finally, to improve the involvement of each European constituent in proactive work, we believe that EFRAG should communicate better on the outcome and impact of these initiatives. A comprehensive following-up of the proactive work output in this way and clear demonstration of its influence on the IFRS may lead to the stronger involvement of European preparers and should reinforce their perception of the usefulness and necessity of a robust European accounting position.

## Question 2

***Based on the description above (under 'How we influence the IASB'), at what point in the standard-setting process should EFRAG focus its proactive work? Also are there specific aspects of financial reporting where we should concentrate our activities?***

Knowing when to undertake all these proactive projects is a delicate and yet crucial issue.

If such work is undertaken too late, there is a risk that stakeholders' analyse will be distorted by orientations already adopted by the IASB (as an example of this we would refer to the last paper on performance reporting). If such work is undertaken on a timely basis, European constituents will feel more inclined to provide a contribution that is free of any prior Board decisions.

Conversely, proactive work undertaken too far in advance may have less influence or meet with less success with stakeholders, who are already well occupied in responding to the numerous IASB consultations. They may also feel less concerned if the potential effect of these studies will not be seen for many years.

Nonetheless, some topics suggested in this consultation should already be studied without delay, since we believe they are the essential foundations for the European accounting debate and without them no other subject can be treated properly (Understanding the Decision Environments of Users of the Financial Report and Performance Reporting).

Finally, to ensure our constituents are strongly involved in proactive works, EFRAG should take into account the heavy demands that we face to reply to the spate of IASB consultations and, where appropriate, to explore alternatives.

### Question 3

***Table 2 'Proposed Proactive Projects' below identifies projects where EFRAG considers it may be useful to undertake proactive work. Can you rank the projects from most to least important based on EFRAG's strategic aims***

As said above, we believe that proactive works can be split into different categories:

- Upstream reflections on topics not yet covered by the IASB and for which European stakeholders feel there is a great need to change the principles of standards that do not allow them to reflect the economics of their transactions properly.

Such analysis should focus on specific requirements in order to check their relevance in a European environment (pensions, taxes, equity instruments) but above all they should focus on a general framework for financial reporting. This approach needs first to understand the Decision Environments of Users of the Financial Report (including long-term investors) and then define the notion of performance in the light of this study.

As the IASB constantly defers debate on the objectives of financial reporting and the definition of performance, Europe should try to find its own answer to these questions

- Post Implementation reviews: the first step is obviously to establish a framework for these studies and define their objectives. Again, once the framework is well defined, EFRAG should seek to address specific issues. For this second step, we believe that priority should be given to IFRS 3R and IFRS 8, because we are confronted on a daily basis with questions that have gone unanswered since the adoption of these two revised standards, and we are not sure that the information obtained is always relevant.

| Rank | Project                                                                  |
|------|--------------------------------------------------------------------------|
| 2    | European perspective on development of post-implementation reviews       |
| 3    | Develop European input to the IASB's post implementation review of IFRS3 |
| 3    | Develop European input to the IASB's post implementation review of IFRS8 |
|      | Post-implementation review of IFRIC 12                                   |
|      | Government grants                                                        |
| 1    | Understanding the Decision Environments of Users of the financial report |
|      | Application of IFRS to individual financial statements                   |
| 1    | Performance reporting – phase 3                                          |
| 4    | Share-based payments                                                     |

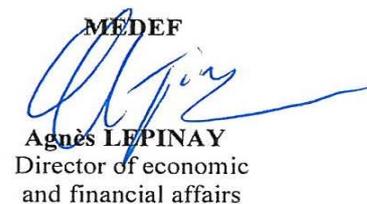
Finally, we would reiterate the importance of following through on PAAinE documents to ensure that they are thoroughly understood by the IASB and other interested parties and are properly taken into account in the standard-setting process. When European constituents see that the PAAinE work is effective in promoting the European view they will be much more ready to contribute than they seem to be at present.

If you have any questions on the above, please do not hesitate to contact us.

Yours sincerely,

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