



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



A F E P
Association Française des Entreprises Privées

IFRS Foundation
30 Cannon Street
London EC4M 6XH
UK

Paris, Monday, 31 January 2011

To the attention of the IFRS Foundation Trustees'

Re : Review of the Interpretation Committee

We welcome the opportunity to help the IFRS Foundation in assessing the effectiveness of the Interpretation Committee and we are pleased to attach the questionnaire we have filed.

Please note that we have concentrated more on commentaries than to the rating graduation.

Should you wish to have any supplementary comment or explanation, please do not hesitate to contact us.

Yours sincerely,

ACTEO

A handwritten signature in blue ink, appearing to read "Patrice Marteau".

Patrice MARTEAU
Chairman

AFEP

A handwritten signature in blue ink, appearing to read "Alexandre Tessier".

Alexandre TESSIER
Director General

MEDEF

A handwritten signature in blue ink, appearing to read "Agnès Lepinay".

Agnès LEPINAY
Director of economic
and financial affairs

IFRS Interpretations Committee Self-Review

Questionnaire to be completed by all external stakeholders interested in the IFRS Interpretations Committee, including IASB Members, IFRS Advisory Council members, External Observers, national standard setters and all other interested parties.

Name ACTEO/MEDEF/AFEP

(All responses will remain confidential.)

Background:

Please tick () the appropriate box that best describes your background:

- User
- Preparer
- Auditor
- Regulator
- Academic
- Other (please explain) Association for the participation of French companies in the harmonisation of international accounting (preparer organisation) / French Business Confederation / Association of French private-sector companies.

Please indicate the geographic region in which you are located by ticking () the appropriate box:

- Asia/Oceania
- Europe
- North America
- Africa
- South America
- International

Purpose: To assist the Trustees of the IFRS Foundation conduct a review of the effectiveness of the IFRS Interpretations Committee as part of its monitoring of the IFRS Foundation. This questionnaire provides for a performance evaluation of the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to offer suggestions to improve its operations.

The assessment covers the accomplishments of the Committee. It is not an assessment of the performance of individual Committee members.

Process: This questionnaire employs the following rating graduation:

1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

For all items rated as 3 or 4, it is important that each such rating is supported by comments identifying the areas needing improvement and suggested improvements. However, we strongly encourage respondents to provide comments on all aspects of performance. We would also appreciate comment if you are uncertain, do not know the answer to the question, or feel the answer is not applicable.

Responses will be analysed by staff of the IFRS Foundation and a summary will be circulated to the Trustees. The Trustees will issue a final report in the first half of 2011 and this will be sent to all respondents. It will also be placed on the Foundation's website. The Chairman will make a full report to the Interpretations Committee and time will be made available during the relevant Committee meeting for discussion of the results.

Timing: Respondents are asked to complete this form electronically and return it to interpretations-comm@ifrs.org by **31 January 2011**. Individual responses will remain confidential and will not be published.

Objectives and Scope of Activities of the Interpretations Committee

The objectives of the Committee as set out in the Constitution are.

- To interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's Framework, and to undertake other tasks at the request of the IASB¹.
- The other tasks include reviewing and making recommendations to the IASB of items for inclusion in the Annual Improvements process, and review of comment letters received and making recommendations on the finalisation of those Annual Improvements.

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
1.	The Committee's stated objectives and scope of activities are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	The Committee understands its objectives and how these link with those of the IFRS Foundation and the IASB. This is reflected in the functioning of the Committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	The Committee's activities appropriately reflect its objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	The Committee's experience and expertise are being efficiently and fully utilised by the IASB.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

¹ Paragraph 43 of the IFRS Foundation's Constitution.

Comments on Objectives and Scope of Activities of the Interpretations Committee

While we think that the objectives as described in the first bullet point above are appropriate, we do have some reservations:

- a) We are concerned that the IFRS IC's role in the Annual Improvements process might lead to a blurring of the distinction between its role as Interpreter and the IASB's role as the Standard-setter
- b) We think that the activities of the IFRS IC do not always achieve these objectives.

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Membership							
Committee members are appointed by the Trustees. The members of the Committee are selected so as to represent the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRSs and analysis of financial statements prepared in accordance with IFRSs.							
5.	The Committee has a sufficiently broad range of collective expertise, experience and geographical balance to ensure its effective and efficient operation. The Committee membership achieves an appropriate balance of backgrounds and experience.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	The size of the Committee is appropriate to achieve diversity of experience and background without being too large.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments on Membership of the Interpretations Committee

Although we believe that the size of the Committee is appropriate, we are not convinced that the composition of its membership is properly aligned with its purpose. As the introduction to this section states, the members should represent, inter alia, "experience in the practical application of IFRSs". We note that in fact there appear to be comparatively few members who represent jurisdictions where IFRS is currently being used. Membership ought to reflect actual users of IFRS and not over-represent countries or geographical areas, which are not using IFRS and have no intention of doing so in the near future. Whilst insight into potential future problems can be provided by other members representing future adopters of IFRS, we think that Interpretations should primarily be aimed at resolving existing issues for current reporters. With this in mind, we think that the membership of the Committee should include more people with practical, "hands-on" experience and expertise in applying IFRS currently on a day-to-day basis.

Following on from the above, while we think that it is right that Europe, in view of its current adoption of IFRS, has more representatives than the Americas or Asia-Pacific, we note that only one of these is a preparer. We therefore think that it would be more appropriate to enroll more experienced practitioners from Europe.

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Operating Procedures							
The Committee generally meets six times each year for one and a half days. Meetings are open for public observation (except for administrative matters).							
7.	Committee meetings are efficient and effective in terms of:						
	(a) Frequency.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Length.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Geographical location (London).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(d) Quality of agenda material.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	(e) Quantity of agenda material.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	(f) Timely provision of agenda materials (observer notes).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8.	There is high quality participation and interaction in the discussion by Committee Members in reaching consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9.	Committee meetings are productive and achieve their full potential	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The Committee is optimally placed to meet the future demand of stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p>Comments on Operating Procedures of the Interpretations Committee</p> <p>We think that a meeting every other month is not sufficient to deal with all the issues comprehensively on a timely basis. The current IASB agenda is very crowded and we expect it to remain so for an extended period. It may be worthwhile, therefore, to meet every month or 8/9 times per year instead. The need for Interpretations may become more pressing in the context of the IASB's current drive to publish a number of fundamentally different new standards which may potentially contain elements which are unclear.</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Agenda Criteria</p> <p>The criteria for the Committee to address an issue by issuing an Interpretation are as follows:</p> <p>(a) <i>The issue is widespread and has practical relevance</i></p> <p>(b) <i>The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The Committee will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.</i></p> <p>(c) <i>Financial reporting would be improved through elimination of the diverse reporting methods.</i></p> <p>(d) <i>The issue can be resolved efficiently within the confines of existing IFRSs and the Framework, and the demands of the interpretation process.</i></p> <p>(e) <i>It is probable that the Committee will be able to reach a consensus on the issue on a timely basis.</i></p> <p>(f) <i>If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities. The Committee will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the Committee requires to complete its due process.</i></p>							
11.	The Criteria for the Committee's interpretative agenda are appropriate and adequate.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The Agenda Criteria are applied appropriately and consistently.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Comments on Agenda Criteria							
<p>Criterion (a) Issues taken onto the agenda should have widespread relevance; this will usually mean they should be multi-jurisdictional as well as relevant to several industries. Dealing with one country's specific issues should be an exceptional event. We think that the IFRS IC must deal on a timely basis with major issues which affect multiple jurisdictions. It must avoid dealing with specific issues which concern only one jurisdiction as this can take up time and resources which would be better used for wider issues.</p> <p>Criterion (e) We think this criterion is too vague and could lead to the Committee's not dealing with urgent and important issues simply because they are complex and will take time to resolve. We do not agree that this is an appropriate criterion for taking items onto the agenda as it may well result in too many rejections. Indeed, the fact that a subject of widespread relevance is difficult to resolve would indicate that it is an issue to be dealt with as a matter of urgency.</p> <p>Criterion (f) It should be clear that the effective date and the availability of early application are factors which should be taken into account in assessing whether the IASB's project will lead to quicker resolution of the issue. A revised standard will not resolve an issue until its effective date, and recent experience is that standards generally take a long time to produce. The IFRS IC should issue Interpretations to resolve existing problems of divergent practice with current standards. In addition, we think that the Committee ought to maintain a close link with the IASB and take onto its agenda issues which the Committee may have rejected previously, if the IASB's related project is delayed. We think that the Committee should make an initial assessment of which would be the more efficient route to deal with an issue (that is, treatment by the IASB or by the IFRS IC) and agree with the IASB the best approach to ensure that important issues are dealt with quickly.</p> <p>In addition, we think that there are cases where an Interpretation is needed as a matter of urgency, and the IFRS IC should work on an Interpretation even though the IASB has the matter on its agenda: the revision of standards has proved to be a time-consuming activity and an Interpretation will have an effective date earlier than the related revised standard.</p>							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
Outputs from the Committee							
<p>The Committee addresses issues by:</p> <p>(a) issuing IFRIC interpretations</p>							

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p>(b) proposing issues to the IASB for inclusion in Annual Improvements</p> <p>(c) making recommendations for the IASB to address an issue in some other way, for example inclusion in an existing IASB project or consideration in a post-implementation review</p> <p>(d) issuing an agenda decision not to address an issue through one of the above routes. Agenda decisions for issues considered for an Interpretation are published for public comment for 30 days before being finalised.</p>							
13.	The Interpretations issued and Annual Improvements proposed meet the needs of the IASB and the IFRS Foundation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	The Interpretations issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	The Annual Improvements issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Agenda decisions are issued when the Committee decides not to take an issue onto its agenda. Some of these agenda decisions do not propose any further action. The content of such agenda decisions is appropriate and sufficient when:						
	(a) the Committee believes the Standards provide sufficient guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) the Committee is unable to reach a consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	The consultative due process for agenda decisions is appropriate and sufficient	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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	<p>Comments on Outputs from the Committee</p> <p>Although they do not form part of the official body of IFRS, the IFRS IC agenda decisions are generally considered by auditors and regulators to be authoritative guidance. The consultative due process and the wording of agenda decisions are therefore crucial.</p> <p>We note that there are generally few responses to tentative agenda decisions from organisations other than the major auditing firms. We think that there is thus a risk that the Committee will not gain a full understanding of the pervasiveness or significance of an issue and make an inappropriate agenda decision. We think it would be helpful to devise a more effective mechanism to draw attention to agenda decisions than the current inclusion in the IFRIC Update so that constituents can react to them. We also think that the 30-day consultation period is not sufficient to allow other organisations, such as preparers and their representative organisations, or EFRAG, to react and follow their own due process in order to respond to the tentative decisions. Furthermore, it would be helpful to preparers to allow a longer period for consultation for documents which are produced during the summer break or during the annual accounting close period.</p> <p>The wording of the basis for a rejection is also crucial. It is not acceptable to provide a de-facto interpretation on the grounds that the standards are sufficiently clear when the reason that issues are brought to the Committee is because standards are conflicting or unclear, as was the case with the "NCI-put" issue. In the case of apparent conflict between standards, the role of IFRS IC should be limited to the confirmation that there is a conflict and the matter should be passed to the IASB for resolution. If the IASB chooses to delegate resolution of this issue to the IFRS IC, this would fall under the objective of the IFRS IC to undertake other tasks on behalf of the IASB, but would not be part of its work as Interpreter of IFRS.</p> <p>Furthermore, we think that when a consensus is not achievable after suitable debate, the Committee should have available to it, as a matter of normal process, a hierarchy of methods to deal with this in order to avoid an inappropriate rejection. These can include, for example, referral to the IASB, consultation with an Expert Panel or another form of "outreach".</p> <p>To end on a specific topic, we think that the initial draft consensus on the issue Stripping Costs in the Production Phase of a Surface Mine is a example of an issue which was dealt with in a way which does not appear to us to be consistent with the IFRS IC's objectives. Whilst we accept that there is diversity in practice in this area and an Interpretation is required, we have the following comments on this draft Interpretation:</p> <ul style="list-style-type: none"> * the draft Intepretation dealt with an issue which had been reduced to a very narrow scope and could usefully have been broadened out to include, for example, similar issues in sub-surface mines; * the draft Interpretation was articulated around the development of rules rather than the identification of the principles of the relevant IFRSs and how these should be applied; and * the introduction of the imprecise concepts of "stripping campaign" and "routine stripping" in the draft Interpretation introduced uncertainty rather than clarity to the issue. <p>This leads us to wonder whether the Committee devotes enough time to developing and testing its draft Interpretations through discussion with interested preparers, auditors and users before publication.</p>						

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
Communications							
18.	The Committee's communications are optimal and effective (IFRIC Update and post-meeting podcast)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	When appropriate, the Committee and/or the Committee staff liaises effectively with other similar interpretations bodies and National Standard Setters.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20.	The Committee's activities are sufficiently transparent to stakeholders.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments on Communications							
<p>We are grateful to the French representatives on the Committee for their very active approach to communicating to us and debating with us the issues that the Committee is dealing with, the tentative decisions it is reaching and the reasons for its decisions. We have found this approach very helpful.</p> <p>Having said that, we reiterate the comments made in the "Outputs" section above about the need for finding a more efficient way of drawing attention to the Committee's work and for giving more time to constituents to respond to tentative agenda decisions.</p>							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
Leadership							
21.	Please rate the effectiveness of the Chair.						
	(a) Discussions are at the appropriate level of detail.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
	(b) Discussions are focused on the right issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	(c) Issues are identified and deliberated in a timely and effective manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Comments on Leadership No basis for comment							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
Interaction with the IASB The designated Board observers are (from July 2010) Philippe Danjou, Amaro Gomes, Patricia McConnell and Wei-Guo Zhang . They are encouraged primarily to listen and to provide Board Member perspectives on issues being discussed rather than participate in the debate. The Director of Implementation Activities provides an oral update to the IASB after each Interpretations Committee meeting.							
22.	The Committee interfaces effectively with the IASB	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	The IASB responds effectively to the IFRS Interpretations Committee's recommendations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

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		1	2	3	4		
<p>Comments on Interaction with the IASB</p> <p>As discussed above, we think it would help increase the usefulness of the IFRS IC to constituents if there were more coordination with the IASB to ensure that issues are dealt with by the body that can deal with them in the most efficient way.</p> <p>Furthermore, we wonder why IFRICs are not always incorporated into the relevant IFRS/IAS on a regular basis.</p>							
Overall evaluation							
24.	Overall, the Committee is achieving its stated objectives and scope of activities.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

Comments:

Please list the three aspects of Committee's activities that, in your opinion, are working best.

In general, issued IFRICs are clear and to the point.

Please list the three aspects of Committee's activities that, in your opinion, are in the most need of improvement.

We think the IFRS IC membership should be adjusted to ensure that there are more members who have practical experience of dealing with the application of IFRS on a daily basis and the frequency of meetings should be increased to ensure that enough time is available to deal fully with all the issues raised.

The Agenda Criteria should be adjusted to ensure that important issues are dealt with efficiently between the IASB and the IFRS IC.

The Committee should ensure that rejection notices are worded appropriately to ensure that they do not introduce new authoritative guidance.

Do you have any suggestions on improving the process of assessing the Interpretations Committee?

None

General comments: use this space for any general comments that you may have.