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Mouvement des Entreprises de France
MEDEF

AFEP
ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

IASB
30 Cannon Street
London EC4M 6XH
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Paris, October 10, 2011

Re: **ED/2011/2 – Improvements to IFRSs (2011)**

We welcome the opportunity to comment on the exposure draft "Improvements to International Financial Reporting Standards" published in June 2011 (the ED).

Overall, except for the issue discussed below, we support all the amendments proposed in this exposure draft. However, we would add that we share EFRAG's concern relating to the lack of clarity in respect of the amendment proposed to IAS 32.

We wish to express our disagreement with the fourth of the proposed amendments of the ED, that is, the updating of IAS 1 to replace the current objectives of financial statements with those for financial reporting contained in the partially updated Conceptual Framework. In fact, we have already expressed our concerns about the piecemeal approach developed for revising the Conceptual Framework since we believe that no part of the Framework should be finalised, let alone incorporated in standards, until all the chapters are ready to be finalised. Furthermore, we do not believe that an amendment as fundamentally important as the incorporation of the Framework into a standard is of the nature of an Annual Improvement. The effect of such a modification is to give the force of an accounting standard to an amendment to the Conceptual Framework which, in our view, was widely contested when it was first proposed. The Framework does not have the status of a standard and we believe the Board should be careful not to transform it into a standard by this means. We therefore encourage the Board to consider the finalisation of the new Framework as a high priority, before making any consequential amendments to current standards.

We have made some other comments about some of the proposed amendments in the Appendix to this letter.

We remain at your disposal should you need further clarification or background information.

Yours faithfully,

ACTEO

Patrice MARTEAU

Chairman

AFEP

Alexandre TESSIER
Director General

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Agnès LEPINAY

Director of economic
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Appendix to our letter on IASB ED "Improvements to IFRS 2011"

Further comments concerning some other proposed amendments

Proposed amendments to IAS 1 Presentation of Financial Statements

We are very supportive of the proposed changes to clarify and simplify the requirements for when an entity changes accounting policies, or makes retrospective adjustments or reclassifications. We agree that the opening statement of financial position should be presented as of at the beginning of the comparative period required by IFRS, regardless of whether an entity's financial statements present additional comparative information for earlier periods.

Some jurisdictions require entities to prepare financial statements for more periods than required in IFRS and the current requirement to present an additional opening balance sheet in the case of restatements considerably increases the burden for such entities. This will be especially true in the current context in which many new standards are expected.

Proposed amendment to IAS 32 Financial Instruments: Presentation (and IFRIC 2)

We do not agree that current IAS 32 paragraph 35 and IAS 12 are inconsistent. We believe that both standards follow the same core principle , that is, income tax should be recognised in the income statement except when the tax arises from a transaction that is recognised directly in equity (in our view, IAS 12 paragraph 52B is consistent with IAS 32 paragraph 35in this respect).

In our opinion, paragraph 52A of IAS 12 deals only with the consequences of a dividend distribution on the tax rate applicable to temporary differences arising from transactions recognised in net income. In other words, paragraph 52A of IAS 12 deals with a recognition fact pattern issue when a special tax rate (as a consequence of distribution) is applicable on temporary differences that themselves are not directly attributable to dividend distribution. This is a measurement issue, whereas paragraph 35 of IAS 32 and paragraphs 58-65A of IAS 12 deal with presentation issues and are mutually consistent: taxes payable that are directly attributable to a dividend distribution should be recognised within equity.
We think that this distinction should be made clearer to enhance the current standards and avoid any misunderstanding.